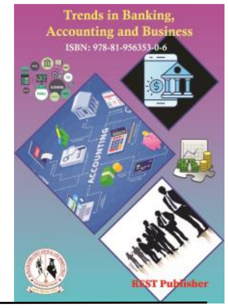
Trends in Banking, Accounting and Business

Vol: 3(1), 2024

REST Publisher; ISBN: 978-81-956353-0-6

Website: https://restpublisher.com/book-series/tbab/



A Study on Financial Risk Management in Sintex BAPL Limited at Hosur

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Abstract: *Financial risk management is a critical discipline aimed at identifying, assessing, and mitigating potential financial losses within an organization. This project explores the various strategies and tools used in managing financial risks, with a focus on market risk, credit risk, operational risk, and liquidity risk. Through an in-depth analysis of case studies and the application of quantitative methods such as Value at Risk (VaR), stress testing, and scenario analysis, the project provides insights into effective risk management practices. The findings highlight the importance of integrating risk management into the overall strategic planning process and the need for continuous monitoring and adaptation to evolving market conditions. This project underscores the role of regulatory frameworks and the implementation of robust risk management systems in safeguarding an organization's financial stability and enhancing its resilience against unforeseen financial disruptions.*

This project report delves into the financial risk management practices at Sintex BAPL Private Limited, a leading player in the plastic and textile industries. The primary objective is to identify, evaluate, and propose strategies to mitigate financial risks specific to the company. By employing a combination of quantitative analysis, including Value at Risk (VaR) and stress testing, along with qualitative assessments through case studies, the project examines market risk, credit risk, operational risk, and liquidity risk faced by Sintex BAPL.

Keywords: *Financial risk management, Market risk, Credit risk, financial stability.*

1. INTRODUCTION

Financial risk management is the practice of protecting economic value in a firm by managing exposure to financial risk - principally operational risk, credit risk and market risk, with more specific variants as listed aside. As for risk management more generally, financial risk management requires identifying its sources, measuring it, and the plans to address them. Financial risk management as a "science" can be said to have been born with modern portfolio theory, particularly as initiated by Professor Harry Markowitz in 1952 with his article, "Portfolio Selection" see Mathematical finance Risk and portfolio management: the P world Financial risk management can be qualitative and quantitative. As a specialization of risk management, financial risk management focuses on when and how to hedge, often using financial instruments to manage costly exposures to risk. In the banking sector worldwide, the Basel Accords are generally adopted by internationally active banks for tracking, reporting and exposing operational, credit. Within non-financial corporates, the scope is broadened to overlap enterprise risk management, and financial risk management then addresses risks to the firm.

2. OBJECTIVES OF STUDY

To Identifies and analysis various risk associated with business.
To Reduce and eliminate harmful threats.
To Supports efficient use of resources

3. SCOPE OF THE STUDY

Expected outcomes of the risk process
Time and location
Inclusions and exclusions
Risk assessment tools and techniques
Resources, responsibilities and records
Intersection with other processes and activities

4. LIMITATION OF THE STUDY

Risk management complex calculations in terms of managing risks. Without the automatic tool, each and every calculations regarding risks become difficult.
If the organization meddles with a loss, then that pay will be delivered to the pay loss of the firm. The organization is responsible for the loss that happened due to improper schedule about risk management.
Managing risks depends on the external entities that are modulated within the organization.
Risk management takes a long time to gather information regarding strategic plans.
Risk management can be proceeded only with subjectivity. It holds on the control of prospects within each issue.

5. LITERATURE REVIEW

C.A. Wolf, J. (2018) Analyzed that the revenue and cost volatility with resulting tight profit margins in dairy farming, it is increasingly important to measure, monitor, and understand farm financial risk. Solvency, liquidity, debt repayment capacity, and financial efficiency measures can reveal potential problem areas and assist in financial risk management. Financial risk is defined as uncertainty about interest rates, willingness of lender to keep or put money into the business, ability to meet cash flow needs, and the market value of collateral. Financial resilience is defined as the ability to withstand events that impact firm net income. Solvency was measured by equity to asset ratio. Liquidity was measured by current ratio.

Arunabh Mitra Rajib Shaw (2017) Analyzed and documented that the rapid changes in socio- economic and environmental factors worldwide have resulted in natural and man-made disasters becoming increasingly difficult to manage. The emergence of systemic threats that are cross- border, complex, ambiguous, and uncertain in nature, such as the ongoing COVID-19 pandemic, has made traditional risk management methods inadequate. Many countries, including India, are struggling to address the challenges posed by these systemic vulnerabilities, leading to unresolved policy and governance problems.

4. RESEARCH METHODOLOGY

Research methodology is a way of explaining how a researcher intends to carry out their research. It's a logical, systematic plan to resolve a research problem. A methodology details a researcher's approach to the research to ensure reliable, valid results that address their aims and objectives. It encompasses what data they're going to collect and where from as well as how it's being collected and analyzed.

5. DATA ANALYSIS

The Analysis and interpretation of the financial statement is the most important step in accounting. To have a very clear understanding of the profitability and financial position of the company. The financial statement has to be analyzed and interpreted. Analysis refers to the methodological classification of the data given in the financial statement.

Ration Analysis: The primary uses of financial statements are to evaluate past performance and predict future performance and both of these are facilitated by comparison. Therefore, the focus of financial analysis is always on the crucial information contained in the financial statements. This depends on the objective and performance of the such analysis. The purpose of evaluating such financial statements is different from person to person depending on their relationship. In other words, even though the business unit itself and shareholders, debentures holders, investors, etc., all undertake the financial analysis, the purpose means, and extent of such analysis differs.

Current ratio:

Table 1. current ratio

Financial Year	Current assets (Rs in lakhs)	Current labilities (Rs in lakhs)	Current ratio
2018-2019	760101	431538	1.76
2019-2020	958730	546193	1.76
2020-2021	953483	524388	1.82
2021-2022	13197	7714	1.71
2022-2023	17454	10512	1.66

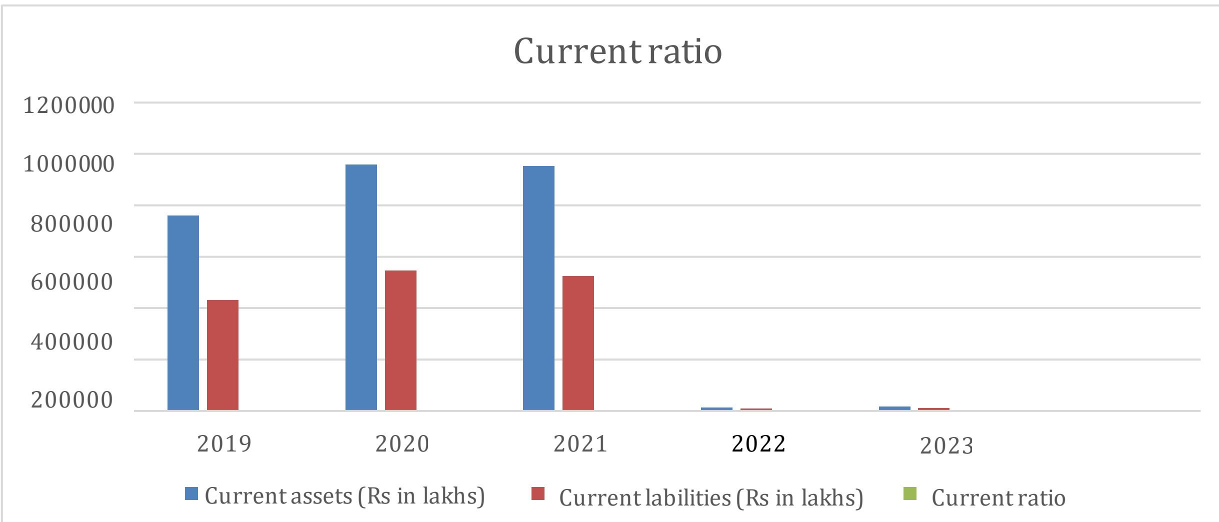

Figure 1. current ratio

Interpretation: From the above table represent that the Liquid ratio was increased in the 2020.In the year of 2021 and 2022 the liquid ratio remains the same (0.07). In the year of 2023 the liquid ratio was increased to (0.15).

6. FINDINGS

1. The Current ratio was 1.76 during the year 2018. During the year of 2019 it was stable the same. During the year of 2020 current ratio was increased from 1.76 to 1.82. During 2021 current ratio was decreased from 1.82 to 1.71. Again, the current ratio was decreased from 1.71 to 1.66.
2. The Liquid ratio was increased in the 2019.In the year of 2020 and 2021 the liquid ratio remains the same (0.07). In the year of 2022 the liquid ratio was increased to (0.15). The absolute liquid ratio was (0.14) in the year 2018.Absolute liquid ratio was 0.20 in the year of 2019.It was the higher than other years.
3. The proprietary ratio it was from 0.699, and it was increases continuously from 2018 - 2021.and in 2022 it was decrease 0.720-0.68. So, the firm needs to improve and need to take a certain step to improve the present position of proprietary ratio.
4. The gross profit ratio it was 7.81 during the year 2018. During the year 2018-2019 it was increased from 7.81-16.9, and during the period of 2019-2020 it was increased from 16.9- 16.90. Again, it was decreased during the period of 2020 – 2021 from 16.90-11.9, Again it was decreased during the period of 2021-2022 from 11.19-6.32. Thus, the gross profit ratio it was peak high during the period 2020.
5. The net profit ratio it was 5.29 during the period 2018, and again it was increased in 2019. At the time of 2020 it was increased from 12.5-12.26, and again it was decreased during the period of 2021 from 12.26-8.50,

and it again was decreased in the year of 2022 from 8.504.10. Thus, the graph shows that the net profit was not good during the period of 2022, and the company has to maintain good net profit in coming years.

7. SUGGESTIONS

Identify and assess risks: The first step in managing financial risk is to identify and assess the risks your organization faces. This involves analyzing your company's financial statements, understanding your industry and market, and conducting a risk assessment. Create a risk management plan: Once you have identified and assessed the risks, you need to develop a plan to manage them. This may involve implementing policies and procedures to mitigate risks, establishing contingency plans, and identifying resources needed to manage risk. Diversify investments: One way to mitigate financial risk is to diversify your investments. By spreading your investments across a range of asset classes and sectors, you reduce the risk of losing all your investments if one asset class or sector experiences a downturn. Monitor and review regularly: Financial risk management is an ongoing process, and you need to monitor and review your plan regularly to ensure it remains effective. This may involve regularly reviewing your financial statements, assessing the effectiveness of your risk management policies and procedures, and making adjustments as needed.

8. CONCLUSION

Financial risk management is a crucial process that helps individuals and organizations mitigate potential financial losses resulting from various types of risks, including market risk, credit risk, liquidity risk, operational risk, and legal risk. Effective financial risk management involves identifying and assessing the risks, developing appropriate strategies to manage them, and implementing measures to monitor and control the risks. Some common strategies used in financial risk management include diversification of investments, hedging, insurance, and risk transfer through contracts such as derivatives. Additionally, risk management practices vary depending on the industry, size, and complexity of the organization, and the specific risks it faces.

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