**A STUDY ON** **BASIC METHODS OF FINANCIAL PERFORMANCE PRACTICES**

**ON RAVALI SPINNERS PRIVATE LIMITED, TANUKU**

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**ABSTRACT**

A financial Performance is a strategy communicated in quantitative term. The spending plan gives a measuring stick from which the presentation can be assessed. It is smarter to contrast the genuine outcomes and the spending plan as opposed to the paste since the previous outcomes may not be responsible for current and anticipated conditions. It bargains in earthenware tails to supply the over all in the Andhra Pradesh. The significance of the investigation is Financial Performance helps uncertainty making measure in making trail esteem. Financial Performance is the drawn-out monetary arranging measure for taking long haul speculations. The assessment of strategies of Financial Performance is utilized for breaking down the venture in Ravali spinners private Tanuku. Finance function has become so important that it has given birth to financial management as a separate subject. So, this subject Finance in the modern business world is regarded as life and blood of a business is acquiring a universal applicability. Financial management is that managerial activity which is concerned with the planning and controlling of the firms’ resources.

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**KEYWORDS:** finance, performance, Organization, Effectiveness.

### INTRODUCTON:

Finance is regarded as “THE LIFE BLOOD OF BUSINESS ENTERPRISE”. Business concern needs finance to meet their requirements in the economic world. Any kind of business activity depends on the finance. Whether the business concern is big or small, they need finance to fulfill their business activities.

The subject of financial management is of immense interest to both academicians and participating managers. It is of great interest to academicians because the subject is still developing, and there are still certain areas where controversies exist for which no Exist for which no unanimous solutions have been reached as yet. Practicing managers are interested in this subject because among the most crucial decisions of the firm which relate to finance, and an understanding of the theory of financial management provides them with conceptual and analytical in sights to make those decisions skillfully.

**Financial performance:**

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm’s overall financial health over a given period. Analysts and investors use financial performance to compare similar firms across the same industry or to compare industries or sectors in aggregate. Financial performance is a complete evaluation of a company’s overall standing in categories such as assets, liabilities, equity, expenses, revenue, and overall profitability. It is measured through various business-related formulas that allow users to calculate exact details regarding a company’s potential effectiveness.

**Indian Textile Industry:**

India’s textiles sector is one of the oldest industries in the Indian economy, dating back to several centuries. The industry is extremely varied, with hand-spun and hand-woven textiles sectors at one end of the spectrum, with the capital-intensive sophisticated mills sector at the other end. The fundamental strength of the textile industry in India is its strong production base of a wide range of fibre/yarns from natural fibers like cotton, jute, silk, and wool, to synthetic/man-made fibers like polyester, viscose, nylon and acrylic.The decentralized power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of textiles industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles makes it unique in comparison to other industries in the country. India’s textiles industry has a capacity to produce a wide variety of products suitable for different market segments, both within India and across the world.In order to attract private equity and employee more people, the government introduced various schemes such as the Scheme for Integrated Textile Parks (SITP), Technology Upgradation Fund Scheme (TUFS) and Mega Integrated Textile Region and Apparel (MITRA) Park scheme.

**RAVALI SPINNERS PRIVATE LIMITED:**

Ravali Spinners Pvt Ltd. was established in the year 2005 by Mr. Vanka Ravindranath, an eminent exporter in India. We commenced with a small start and now have grown into a full-fledged organization manufacturing high quality cotton yarn for our esteemed clients worldwide. We are a client centric organization and we always endeavour to fulfil their expectation with satisfying results. At present we are having spindle capacity of 101,520 a sign of growth and development. The turnover of our company is 450 crore per annum. Ravali Spinners Pvt.Ltd., is a well reputed name among the leading Compact (Com4) Cotton Yarns manufacturers and suppliers. We manufacture and supply premium quality Yarns that are made from best quality materials using advanced technology. We have been leading new and revolutionary change in the textiles industry, by offering world class yarns at competitive prices. The large international clientele, we cater to testifies the exceptional quality of our cotton yarns. The Ring Spun & Compact Yarns offered by us are considered the best available in the market due to the the stringent quality check norms followed by us. Each and every vial of yarn being delivered by us, is personally checked for quality, weave and such other features. The constant zeal to achieve excellence and leadership among the spun yarn manufacturers and suppliers, keeps us motivated to deliver quality products at competitive prices.

**LITERATURE REVIEW :**

Financial ratios are the most commonly used method for evaluating a company’s financial health. They offer insights into a firm's profitability, efficiency, liquidity, and solvency. The DuPont analysis breaks down Return on Equity (ROE) into three key components: profit margin, asset turnover, and financial leverage. This method provides a more detailed understanding of the drivers behind a firm’s profitability and financial performance, allowing analysts to identify whether a company’s profitability is driven by operational efficiency, asset use, or financial leverage. EVA is a performance metric that calculates the true economic profit of a company. It is based on the concept that value is only created when a company earns a return greater than its cost of capital. Cash flow analysis is crucial for understanding the liquidity and long-term viability of a business. Cash flow-based measures, such as **Free Cash Flow (FCF)**, help assess how much cash a company has left over after capital expenditures to fund operations, growth, and debt repayments. This method is useful for evaluating companies that might not be profitable in the short term but still generate strong cash flows. The Z-score is a statistical tool developed by Edward Altman that combines several financial ratios to predict the likelihood of a company going bankrupt. It is particularly useful for assessing the financial health of distressed companies and identifying potential risks of insolvency.

**NEED FOR THE STUDY:**

Appropriate financial analysis is the key for the success of business organizations without which we cannot anticipate a proper direction for the business. The present study financial analysis of Ravali Spinners Private Limited (RSPL) helps me towards a real-life scenario of financial management so that can have a particular knowledge of ratio analysis comparative statements, common size statement and trend analysis. This certainly does through light on financial performance and it have evaluated the company. So that I can come out with application of theoretical knowledge and thereby have practical insight into the financial management and thereby I come out with meaningful finding and suggestion.

## OBJECTIVES OF THE STUDY

* To find out the financial analysis of the company RSPL.
* To find out the financial & economic resources of the company
* To measure the future earning capacity and profit if the company
* To measure the long-term liquidity & funds of the company.

## METHODOLOGY:

Methodology is a systematic procedure of collecting information in order to analyses and verify

a phenomenon. The data can be collected through principal sources.

**The Project done through only based on Secondary Data**

They are as follows: -

* Primary Sources
* Secondary Sources

#### Primary sources:

A primary source provides direct or first-hand evidence about an event, object, person, or work of art. Primary sources include historical and legal documents, eyewitness accounts, and results of experiments, statistical data, pieces of creative writing, audio and video recordings, speeches, and art objects.

**Secondary sources:**

This data is from the number of books and records of the company, the annual reports published

by the company and other magazines. The secondary data is obtained from the following.

**Result Discussions:**

The results of the study are discussed in the following tables:

### TABLE –1

#### Comparative Income Statement of Ravali Spinners Private Limited (RSPL) for The Year Ended 2019-2020

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| PARTICULARS | **31ST MARCH**  **2019** | **31ST MARCH**  **2020** | **CHANGE IN RS.** | **CHANGE IN %** |
| Revenue from operations | 112952298.6 | 125502554 | 12550255 | 11.11 |
| (-) operating expenses |  |  |  |  |
| cost of material consumed | 35153498.7 | 39059443 | 3905944.3 | 11.11 |
| employee benefits | 11856178.8 | 13173532 | 1317353.2 | 11.11 |
| finance cost | 12664614.6 | 14071794 | 1407179.4 | 11.11 |
| total operating expenses | 59674292.1 | 66304769 | 6630476.9 | 11.11 |
| operating profit | 53278006.5 | 59197785 | 5919778.5 | 11.11 |
| (+) non-operating income |  |  |  |  |
| other income | 24849729 | 27610810 | 2761081 | 11.11 |
|  | 78127735.5 | 86808595 | 8680859.5 | 11.11 |
| (-) non-operating  expenses |  |  |  |  |
| Depreciation | 7550432.1 | 8389369 | 838936.9 | 11.11 |
| other expenses | 65322009.9 | 72580011 | 7258001.1 | 11.11 |
| total non-operating  expenses | 72872442 | 80969380 | 8096938 | 11.11 |
| net profit before tax | 5255293.5 | 5839215 | 583921.5 | 11.11 |
| (-) tax |  |  |  |  |
| current tax | 1444994.1 | 1605549 | 160554.9 | 11.11 |
| deferred tax | 106525.8 | 118362 | 11836.2 | 11.11 |
| provision for previous  year tax | 0 | 0 | 0 | 0 |
| total tax | 1551519.9 | 1723911 | 172391.1 | 11.11 |
| profit after tax | 3703773.6 | 4115304 | 411530.4 | 11.11 |

Source: Secondary Data

### GRAPH -1

**Graphical Representation of Comparative Income Statement for The Year Ended 2019-2020**

140000000

120000000

100000000

80000000

60000000

40000000

20000000

0

31ST MARCH 2019 31ST MARCH 2020 CHANGE IN RS. CHANGE IN %

Revenue from…

(-) operating expenses

cost of material…

employee benefits

finance cost total operating… operating profit

(+) non-operating…

other income

(-) non-operating…

Depreciation other expenses

total non-operating… net profit before tax

(-) tax current tax deferred tax

provision for… total tax

profit after tax

Source: Primary Data

Table 1 explains that the above statement, we observe that the comparison of the income statements for the year ended 2019 and 2020, in this it is observed that revenue from operations is increased by 11.11%, operating expenses also increased by 11.11%. Hence total profit is increased by 11.11%, therefore profits are satisfactory.

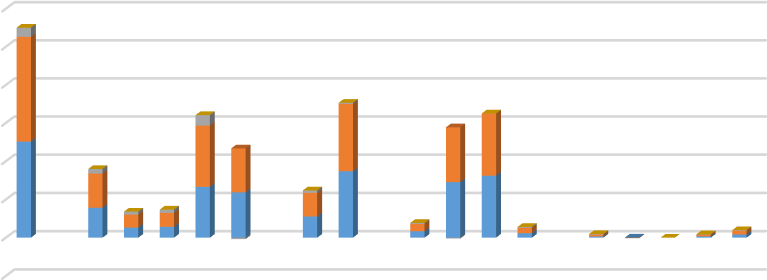
### TABLE-2

**Comparative Income Statement of Ravali Spinners Private Limited (RSPL)**

**for The Year Ended 2020-2021**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PARTICULARS** | **31ST**  **MARCH 2020** | **31ST**  **MARCH 2021** | **CHANG E IN RS.** | **CHANG E IN %** |
| Revenue from operations | 125502554 | 137512429 | 12009875 | 9.569 |
| (-) operating expenses |  |  |  |  |
| cost of material  consumed | 39059443 | 44837767 | 5778324 | 14.79 |
| employee benefits | 13173532 | 16991781 | 3818249 | 28.98 |
| finance cost | 14071794 | 18309965 | 4238171 | 30.12 |
| total operating expenses | 66304769 | 80139513 | 13834744 | 20.87 |
| operating profit | 59197785 | 57372916 | -1824869 | -3.08 |
| (+) non-operating  income |  |  |  |  |
| other income | 27610810 | 30862984 | 3252174 | 11.78 |
|  | 86808595 | 88235900 | 1427305 | 1.644 |
| (-) non-operating  expenses |  |  |  |  |
| depreciation | 8389369 | 9634987 | 1245618 | 14.85 |
| other expenses | 72580011 | 71595057 | -984954 | -1.36 |
| total non-operating  expenses | 80969380 | 81230044 | 260664 | 0.322 |
| net profit before tax | 5839215 | 7005856 | 1166641 | 19.98 |
| (-) tax |  |  |  |  |
| current tax | 1605549 | 2372427 | 766878 | 47.76 |
| deferred tax | 118362 | -204349 | -322711 | -273 |
| provision for previous  year tax | 0 | 0 | 0 | 0 |
| total tax | 1723911 | 2168078 | 444167 | 25.77 |
| profit after tax | 4115304 | 4837778 | 722474 | 17.56 |

### GRAPH -2

 **Graphical Representation of Comparative Income Statement for**

300000000

250000000

200000000

150000000

100000000

50000000

0

-50000000

31ST MARCH 2020 31ST MARCH 2021 CHANGE IN RS. CHANGE IN %

Revenue from…

(-) operating expenses

cost of material…

employee benefits

finance cost total operating… operating profit

(+) non-operating…

other income

(-) non-operating…

depreciation other expenses

total non-operating…

net profit before tax

(-) tax current tax deferred tax provision for…

total tax profit after tax

**The Year Ended 2020-2021**

Table 5.2 explains that the above information it is observed that revenue from operations has been increased by 9.56% in 2020, operating expenses increased by 20.87%, but the operating profit decreased by 3.08%, net profit before tax and after-tax increases as 19.98% and 17.56%. Hence the firm has gained more profits.

### TABLE – 3

#### Comparative Income Statement of Ravali Spinners Private Limited (RSPL) for

#### The Year Ended 2021-2022

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PARTICULARS** | **31ST MARCH**  **2021** | **31ST MARCH**  **2022** | **CHANGE IN RS** | **CHANGE IN %** |
| Revenue from operations | 137512429 | 158388334 | 20875905 | 15.2 |
| (-) operating expenses |  |  |  |  |
| cost of material  consumed | 44837767 | 61158544 | 16320777 | 36.4 |
| employee benefits | 16991781 | 23382336 | 6390555 | 37.6 |
| finance cost | 18309965 | 19621071 | 1311106 | 7.16 |
| total operating  expenses | 80139513 | 104161951 | 24022438 | 30 |
| operating profit | 57372916 | 54226383 | -3146533 | -5.5 |
| (+) non-operating  income |  |  |  |  |
| other income | 30862984 | 26130824 | -4732160 | -15 |
|  | 88235900 | 80357207 | -7878693 | -8.9 |
| (-) non-operating  expenses |  |  |  |  |
| depreciation | 9634987 | 9898351 | 263364 | 2.73 |
| other expenses | 71595057 | 62325223 | -9269834 | -13 |
| total non-operating expenses | 81230044 | 72223574 | -9006470 | -11 |
| net profit before tax | 7005856 | 8133633 | 1127777 | 16.1 |
| (-) tax |  |  |  |  |
| current tax | 2372427 | 2563736 | 191309 | 8.06 |
| deferred tax | -204349 | -256264 | -51915 | 25.4 |
| provision for previous  year tax | 0 | 0 | 0 | 0 |
| total tax | 2168078 | 2307472 | 139394 | 6.43 |
| profit after tax | 4837778 | 5826161 | 988383 | 20.4 |

Source : Secondary data

### GRAPH -3

**Graphical Representation of Comparative Income Statement for**

profit after tax

provision for previous year tax

current tax net profit before tax other expenses

(-) non-operating expenses

other income operating profit finance cost

cost of material consumed Revenue from operations

-50000000 0

50000000 100000000 150000000 200000000

CHANGE IN % CHANGE IN RS 31ST MARCH 2022 31ST MARCH 2021

**The Year Ended 2021 And 2022**

Table 5.3 explains the above information revenue from operations has been increased by 15.18%, whereas as operating profit is decreased by 5.48%, net profit before and after-tax increases.

### TABLE – 4

#### Comparative Income Statement of Ravali Spinners Private Limited (RSPL) for

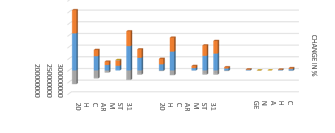
#### The Year Ended 2022 And 202

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PARTICULARS** | **31ST**  **MARCH 2022** | **31ST**  **MARCH 2023** | **CHANGE IN RS** | **CHANGE IN %** |
| Revenue from operations | 158388334 | 99874606 | -58513728 | -36.94 |
| (-) operating expenses |  |  |  |  |
| cost of material consumed | 61158544 | 26885034 | -34273510 | -56.04 |
| employee benefits | 23382336 | 14268136 | -9114200 | -38.98 |
| finance cost | 19621071 | 22400935 | 2779864 | 14.17 |
| total operating expenses | 104161951 | 63554105 | -40607846 | -38.99 |
| operating profit | 54226383 | 36320501 | -17905882 | -33.02 |
| (+) non-operating income |  |  |  |  |
| other income | 26130824 | 23747195 | -2383629 | -9.122 |
|  | 80357207 | 60067696 | -20289511 | -25.25 |
| (-) non-operating expenses |  |  |  |  |
| depreciation | 9898351 | 9456438 | -441913 | -4.465 |
| other expenses | 62325223 | 44864757 | -17460466 | -28.02 |
| total non-operating expenses | 72223574 | 54321195 | -17902379 | -24.79 |
| net profit before tax | 8133633 | 5746501 | -2387132 | -29.35 |
| (-) tax |  |  |  |  |
| current tax | 2563736 | 2002727 | -561009 | -21.88 |
| deferred tax | -256264 | -384361 | -128097 | 49.99 |
| provision for previous year  tax | 0 | 0 | 0 | 0 |
| total tax | 2307472 | 1618366 | -689106 | -29.86 |
| profit after tax | 5826161 | 4128135 | -1698026 | -29.14 |

Source: Secondary data

**GRAPH -4**

**Comparative Income Statement Graph of Ravali Spinners Private Limited (RSPL) for The Year Ended 2022 And 2023**

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Here revenue operations decreased by 36.94% decreased

## FINDINGS

* It is found that the financial position as expressed by the comparisons is fine in many aspects.
* The Liabilities of the firm are increased year by year.
* It is observed that the Profits of the firm are good because it is increasing year by year.
* The Current financial position is good, but it will not be sufficient for further survival.
* The Reserves and surplus maintenance are increased, which is beneficial for the firm.
* The Current ratios are mostly in ideal form.
* The firm has less earnings in 2020, because of impact of covid-19.
* The Investments are very low of the firm.
* The Taxes are paid in uniform rate only.
* The Expenses and incomes of the firm have almost equal to each other, that’s why firm has less profits (small profits).

## SUGGESTIONS

* It is suggested to improve the long-term stability, the rate of growth rate and profitability, it is necessary to induce cost reduction techniques.
* If the liability payment is made with more high speed that will lead to fast improvement in financial position of the firm.
* It is suggested to concentrate on loans and advances because it will impact the payment position of the firm.
* To provide discounts to customers without decreasing in prices, it may lead to generate the more profits of the firm.
* Equipment’s of the company are reduced, please make more equipment for kids, and also for others.
* While making investments only in fixed assets overall financial performance is not improved. So, investments must also be made in other assets that help in improving the performance.

## CONCLUSION

The Ravali Spinners Private Limited (RSPL) has been founded in 1984 and it is one of the major Gas and Oil Company in the Asia and having much more capital investment. We know that the Ravali Spinners Private Limited (RSPL) as a large organization might have long gestation period. But the top management of Respondents so many training and development programs to improve their performance, not only this but also frequent technological changes due to the above factors in the initial stage. This study concentrated on the financial state of affairs of the company Ravali Spinners Private Limited (RSPL). It involved study of cash flow statements, Balance sheets, Profit & Loss accounts and their comparison over the last five years in the industry. It has presented a broader picture of the financial position of the company. The study analyzed the company’s success in being able to effectively manage its day-to-day requirements pertaining to cash flow and effectively channelizing the short term and long-term funds of the company to meet the requirements. Their main aim is to create and strengthening indicant global presence to pursue strategic, attractive opportunities that leverage Ravali Spinners Private Limited (RSPL)capabilities while effectively managing risks.

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