

SUMMER PROJECT REPORT

“AN ANALYTICAL STUDY OF FINANCIAL STATEMENT OF THE LINK ENTERPRISES, NAGPUR”

Submitted to:

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Submitted by:

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NAAC Accredited “A” Grade Institution**



Academic Year 2019-2020



CERTIFICATE

This is to certify that the investigation described in this report titled “**An Analytical Study of Financial Statement of the Link Enterprises, Nagpur**”, has been carried out by **Ms. Kajal Mated** during the summer internship project. The study was done in the organisation, **Link Enterprises**, in partial fulfillment of the requirement for the degree of Master of Business Administration of **R. T. M. Nagpur University, Nagpur**.

This work is the own work of the candidate, complete in all respects and is of sufficiently high standard to warrant its submission to the said degree. The assistance and resources used for this work are duly acknowledged.

Dr. Ashwini Purohit
(Director)

CERTIFICATE

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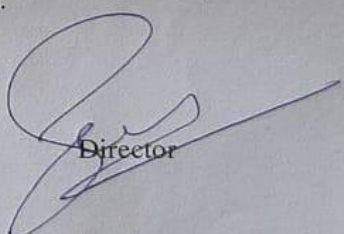
CERTIFICATE

I here by certify that **Ms. Kajal Mate** appointed by our firm **Link Enterprises** as a trainee during the period of 1 June 2020 to 15 July 2020

She started in our company as a trainee for the summer Internship Program in the stream of Financial Management (FM). During her tenure we found her with excellent performance and good abilities. She demonstrated as regular, diligent and truthful person.

All of us wish she the best in her career path and future.

Date : 24 Aug 2020


Director

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ACKNOWLEDGEMENT

It is a matter of pride and privilege for me to have done a summer internship project in “**Link Enterprises**” and I am sincerely thankful to them for providing this opportunity to me.

I am thankful to “**Ms. Subhash Giradkar**” for guiding me through this project and continuously encouraging me. It would not have been possible to complete this project without his / her support.

I am also thankful to all the faculty members of Department of Management Sciences and Research, G S College of Commerce and Economics, Nagpur and particularly my mentor “**Dr. Geeta Naidu**” for helping me during the project.

Finally, I am grateful to my family and friends for their unending support.

(Name and Signature of the Student)

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(If a specific project was allotted to you then you need to prepare the following: 1. Title of the project allotted, 2. Objectives of the project, 3. Research methodology adopted – Sampling method and sample size, data collection tools used, etc. 3. Analysis and interpretation of the data collected)

B) FINDINGS AND SUGGESTIONS

C) CONCLUSION

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Bibliography

Introduction

FINANCIAL STATEMENT ANALYSIS

Financial Analysis consist major two aspect of Financial Report Analysis which consist

❖ Ratio Analysis

❖ Net Working Capital Analysis

RATIO ANALYSIS

Financial analysis is the process of identifying the financial strengths and weaknesses of the firm and establishing relationship between the items of the balance sheet and profit & loss account.

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. The information in the statements is used by

- Trade creditors, to identify the firm's ability to meet their claims i.e. liquidity position of the company.
- Investors, to know about the present and future profitability of the company and its financial structure.
- Management, in every aspect of the financial analysis. It is the responsibility of the management to maintain sound financial condition in the company.

The term "Ratio" refers to the numerical and quantitative relationship between two items or variables. This relationship can be exposed as

- Percentages
- Fractions
- Proportion of numbers

Ratio analysis is defined as the systematic use of the ratio to interpret the financial statements. So that the strengths and weaknesses of a firm, as well as its historical performance and current financial condition can be determined. Ratio reflects a quantitative relationship helps to form a quantitative judgment.

STEPS IN RATIO ANALYSIS

- The first task of the financial analysis is to select the information relevant to the decision under consideration from the statements and calculates appropriate ratios.
- To compare the calculated ratios with the ratios of the same firm relating to the past or with the industry ratios. It facilitates in assessing success or failure of the firm.
- Third step is to interpretation, drawing of inferences and report writing conclusions are drawn after comparison in the shape of report or recommended courses of action.

BASIS OR STANDARDS OF COMPARISON

Ratios are relative figures reflecting the relation between variables. They enable analyst to draw conclusions regarding financial operations. They use of ratios as a tool of financial analysis involves the comparison with related facts. This is the basis of ratio analysis. The basis of ratio analysis is of four types.

- Past ratios, calculated from past financial statements of the firm.
- Competitor's ratio, of the some most progressive and successful competitor firm at the same point of time.
- Projected ratios, ratios of the future developed from the projected or proforma financial statements

NATURE OF RATIO ANALYSIS

Ratio analysis is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various ratios for helping in making certain decisions. It is only a means of understanding of financial strengths and weaknesses of a firm. There are a number of ratios which can be calculated from the information given in the financial statements, but the analyst has to select the appropriate data and calculate only a few appropriate ratios. The following are the four steps involved in the ratio analysis.

- Selection of relevant data from the financial statements depending upon the objective of the analysis.
- Calculation of appropriate ratios from the above data.
- Comparison of the calculated ratios with the ratios of the same firm in the past, or the ratios developed from projected financial statements or the ratios of some other firms or the comparison with ratios of the industry to which the firm belongs.

Company Profile

Link Enterprises

An electrical contract is a business person or firm that performs specialized construction work related to the design, installation, and maintenance of electrical systems.

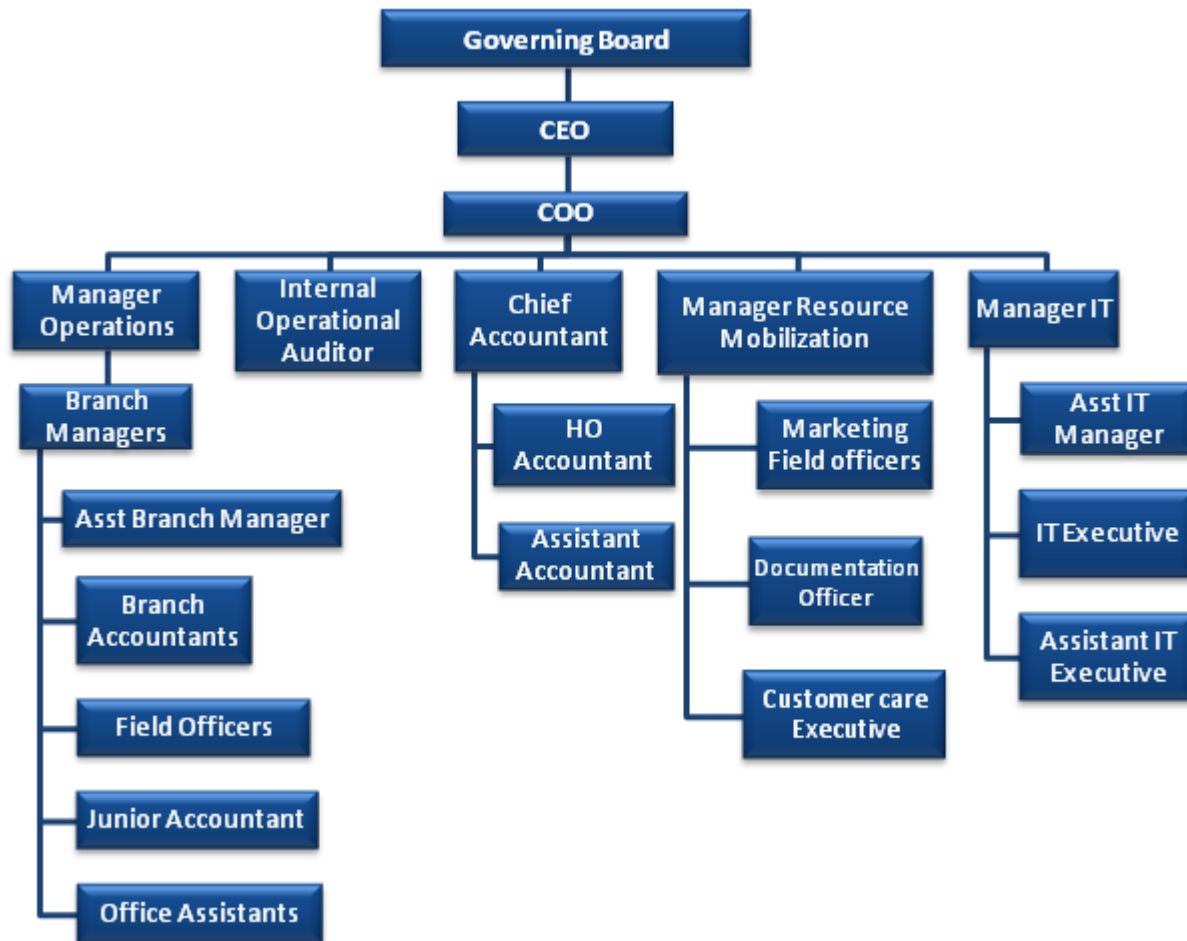
An electrical contractor is different from an electrician; an electrician is an individual tradesman and an electrical contractor is a business person or company that employs electricians. Both usually hold licenses and insurances to properly and safely operate a business, protecting the employees and home owners/business owners from insurance liabilities. These requirements vary from state to state. Electricians may work for an electrical contractor, or directly for individuals or companies.

"Outside" or "line" contractors are responsible for high-voltage power transmission and distribution lines. Line contractors build and maintain the infrastructure required to transport electricity generated at a power plant through a series of high-voltage lines and substations before it is used to power facilities, buildings, and homes.

"Inside" electrical contractors provide electricity to any structure within a property's boundary lines, including outdoor lighting or substations. Under current construction specification guidelines, "inside" electrical contractors can serve as prime contractors for all electrical and cabling design, installation, and maintenance for commercial, institutional, and residential buildings. Projects also include Database Centers/Infrastructure and Pharmaceutical Work.

"Integrated building systems" (IBS) or "Voice/Data/Video" (VDV) electrical contractors work primarily with low-voltage installations such as back-up power, climate controls wireless Networks, energy-efficient lighting, telecommunication, fiber optics, and security systems. IBS contractors are particularly skilled at integrating these system controls to work together for maximum energy efficiency and building performance.

Terminology



Objective

The major objectives of the study are to know about financial strengths and weakness of **Link Enterprises, Nagpur**

The main objectives of Present study aimed as:

1. To evaluate the performance of the company by using Ratios as a yardstick to measure the efficiency of the company.
2. To understand the liquidity, profitability and efficiency positions of the company during the study period.
3. To evaluate and analyze various facts of the financial performance of the company.
4. To make comparisons between the ratios during different periods.

Scope & Need

The scope of the study is limited to collecting financial data published in the annual reports of the company every year. The analysis is done to suggest the possible solutions. The study is carried out for 5 years. The present study is confined to only Link Enterprises.

Contribution during SIP

| Sr. | Task | Duration | Week |
|-----|--|---|----------|
| 1 | Corporate Profile: Link Enterprises | 1 th June - 7 th June | Week - 1 |
| 2 | Introduction to Finance | 8 st June - 15 rd June | Week - 2 |
| 3 | Objective & Purpose of Financial Statement | 16 th June - 23 th June | Week - 3 |
| 8 | Study of role of accepting authority | 24 th June - 1 th July | Week - 4 |
| 9 | The process of Ration Analysis | 2 th July - 8 th July | Week - 5 |
| 10 | Final Process | 8 July – 15 July | Week - 6 |

Limitation

The following are the limitation of the study

1. The study was limited to only five years Financial Data.
2. The study is purely based on secondary data which were taken primarily from Published annual reports of Link Enterprises.
3. There is no set industry standard for comparison and hence the inference is made on general standards.
4. The ratio is calculated from past financial statements and these are not indicators of future.

Research Methodology

METHODOLOGY

The main aim of the study is to know the financial performance of the Link Enterprises, Nagpur.

Research

Any efforts which are directed to study of strategy needed to identify the problems and selection of best solutions for better results are known as research.

Research Design

In view of the objects of the study listed above an exploratory research design has been adopted. Exploratory research is one which is largely interprets and already available information and it lays particular emphasis on analysis and interpretation of the existing and available information.

- A. To know the financial status of the company.
- B. To know the credit worthiness of the company.
- C. To offer suggestions based on research finding.

LEVERAGE RATIOS

A. TOTAL DEBT RATIO

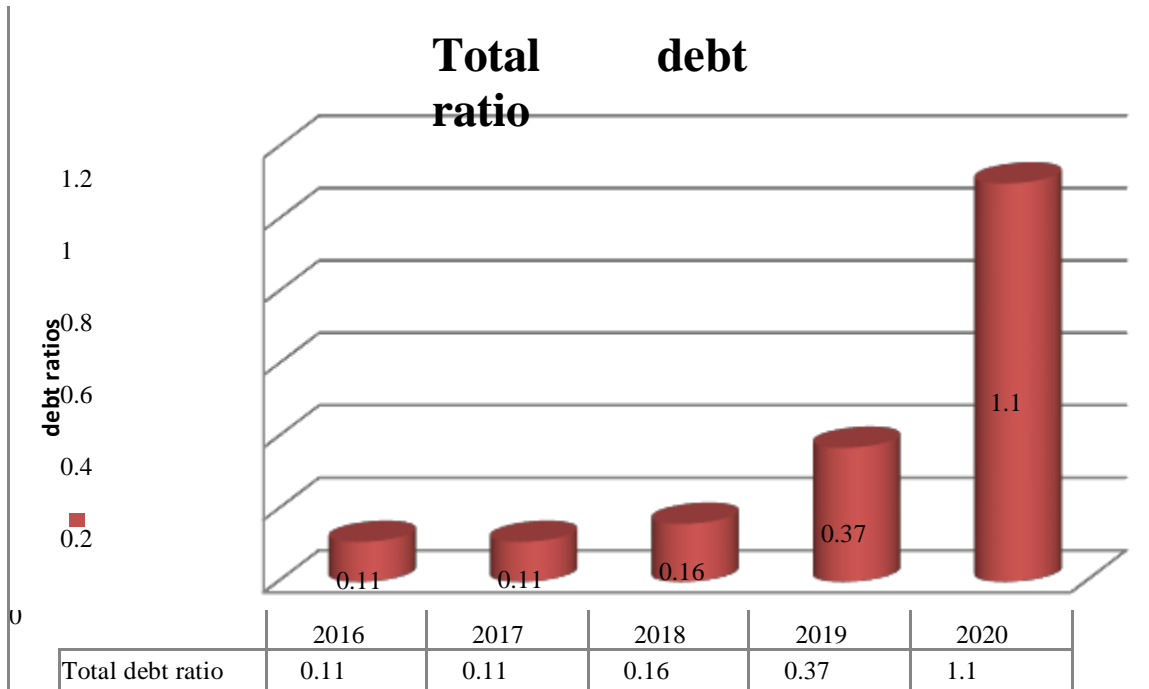
$$\text{TOTAL DEBT RATIO} = \frac{\text{TOTAL DEBT}}{\text{TOTAL DEBT} + \text{NET WORTH}}$$

TABLE 1.1: TOTAL DEBT RATIO

| year | Total debt ratio |
|------|------------------|
| 2016 | 0.11 |
| 2017 | 0.11 |
| 2018 | 0.16 |

| | |
|------|------|
| 2019 | 0.37 |
| 2020 | 1.10 |

CHART 1.1: TOTALDEBT RATIO



INTERPRETATION:

This ratio gives results relating to the capital structure of a firm. Debt ratio is 0.08 in the year 2016 it increased to 0.11 & 0.16 in the corresponding years 2017 & 2018. Again it is increased to & 1.10 in the year 2019 & 2020. From the above in fluctuating trend we can conclude that the company's dependence on debt is increasing. It is not better position in collection of debt.

B. DEBT EQUITY RATIO

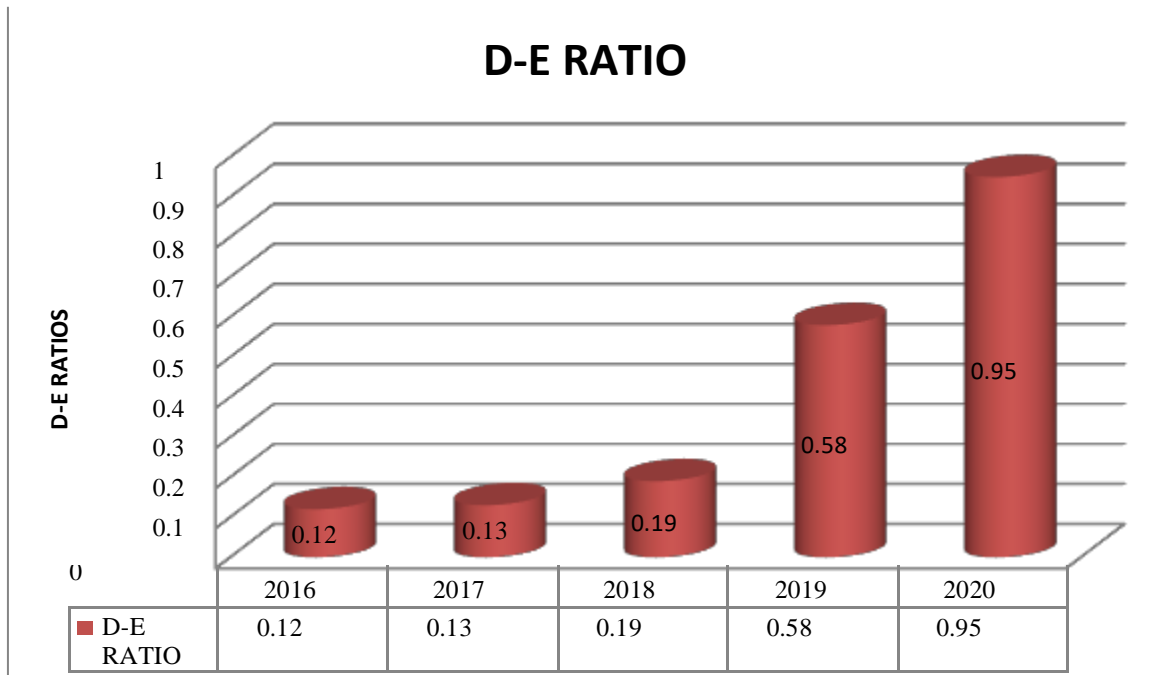
Debt equity ratio indicates the relationship describing the lender's contribution for each rupee of the owner's contribution is called debt-equity ratio. Debt equity ratio is computed by dividing Long term Liabilities divided by Equity. Lower debt – equity ratio higher the degree of protection. A debt-equity ratio of 2:1 is considered ideal.

$$\text{DEBT EQUITY RATIO} = \frac{\text{LONG TERM DEBTS}}{\text{EQUITY CAPITAL}}$$

TABLE 1.2: DEBT EQUITY RATIO

| year | Debt-equity ratio |
|------|-------------------|
| 2016 | 0.12 |
| 2017 | 0.13 |
| 2018 | 0.19 |
| 2019 | 0.58 |
| 2020 | 0.95 |

CHART NO 1.2: DEBT EQUITY RATIO



INTERPRETATION:

The ratio gives results relating to the capital structure of a firm. Debt equity ratio is 0.12 in the year 2016 and it increased to 0.13 & 0.19 in the year 2017 and 2018. In the year 2019 & 2020 the ratio has increased to 0.58 & 0.95. We can conclude that the company depends on the debt fund is increasing.

C. INTEREST COVERAGE RATIO

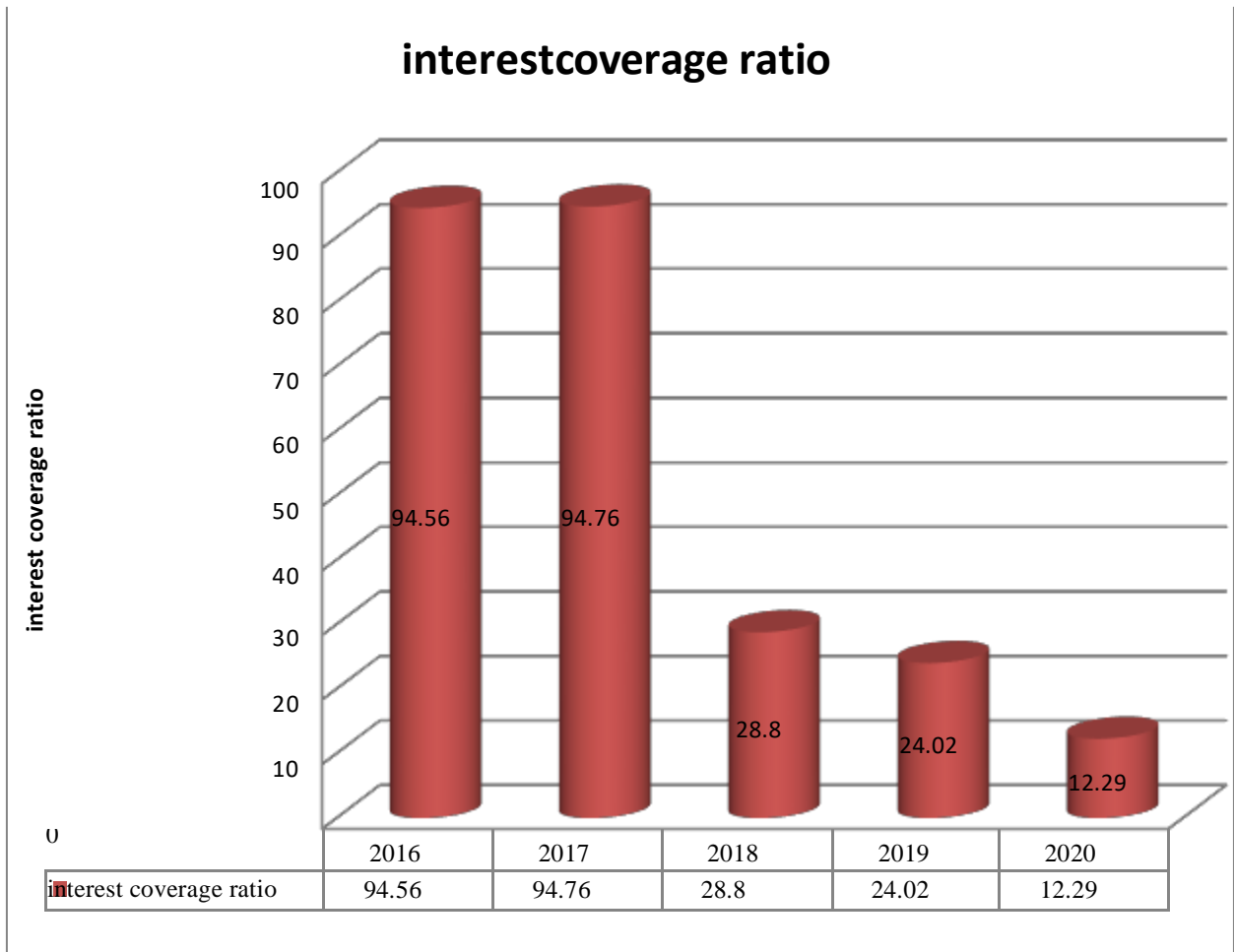
The ratio shows the number of times the interest charges are covered by funds that are ordinarily available for their payment.

$$\text{INTEREST COVERAGE RATIO} = \frac{\text{EBIT}}{\text{INTERST}}$$

TABLE 1.3: INTEREST COVERAGE RATIO

| YEAR | INTEREST COVERAGE RATIO |
|------|-------------------------------|
| 2016 | 94.54 |
| 2017 | 94.76 |
| 2018 | 28.80 |
| 2019 | 24.02 |
| 2020 | 12.29 |

CHART 1.3 :INTERESTCOVERAGERATIO



INTERPRETATION:

Interest coverage ratio is 94.56 in the year 2016. It is increased automatically to 94.76 in the year 2017. But, it is decreased to 28.80 in the year 2018 and decreased to 24.02 in the year 2019 and it again decreased to 12.29 in the year 2020. In this position outside investors is interested to invest the money in this company.

Conclusions

From the above analysis of the company's financial statements it's concluded that the company's financial position is good because the company's leverage, activity and profitability positions are good and the company have to increase its liquidity position for better performance infuture.

Suggestion

- The company has to increase the profit maximization and has to decrease the operating expenses.
 - By considering the profit maximization in the company the earning per share, investment and working capital also increases. Hence, the outsiders are also interested to invest.
 - The company should maintain sufficient cash and bank balances; they should invest the idle cash in marketable securities or short term investments in shares, debentures, bonds and .
 - The company must reduce its debtors collection period from 83 & 84 days to 40 days by adopting credit policy by providing discounts to the debtors.
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