

ACKNOWLEDGEMENT

The success and final outcome of this project required a lot of guidance and assistance from many people and we are extremely fortunate to have got all along the completion of our project.

I respect and thank **Mr. Amit Kumar Sinha** for giving me an opportunity to do the project work in Methodex Systems Private Limited and providing me with all support and guidance which made me to complete the project on time. I am extremely grateful to him for providing such a nice support and guidance though he had such a busy schedule.

I would not forget to remember **Mr. Abhijit Dey**, Head of the Department, B.B.A. Department, St. Xavier's College, Ranchi for providing me with an opportunity to do my internship in Methodex Systems Private Limited.

I am extremely grateful to **Mr. Sandeep Sir**, my project guide, for his constant encouragement and valuable suggestions while making the project.

I am thankful and fortunate enough to get constant encouragement, support and guidance from all the employees of Methodex Systems Private Limited who helped me in successfully completing the project work. Also, I would like to extend my sincere regard to the entire team for their co-operation.

At last, not forgetting my family and friends, who were always beside me all along completion of my project.

Priyanshu Srivastava

CERTIFICATE

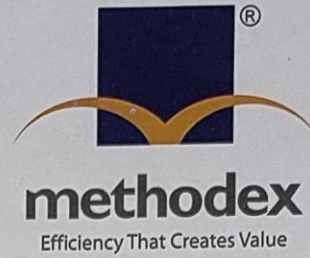
This is to certify that **Priyanshu Srivastava**, Class Roll no. – 2019, Examination Roll no. – **20PBBA046688**, Semester – V has completed the project report on “**Financial Statement Analysis**” at **Methodex Systems Private Limited, Ranchi** in the partial fulfilment of the requirement for a degree of Bachelor of Business Administration (BBA).

Abhijit Dey

Head of Department

Department of BBA

St. Xavier's College, Ranchi



CERTIFICATE OF INTERNSHIP

TO WHOMSOEVER IT MAY CONCERN

This is to certify that Mr. Priyanshu Srivastava, Roll No. 20PBBA046688, a student of BBA, Finance from St. Xavier's College, Ranchi, Jharkhand has successfully completed his internship for a period of 45 days at our organization, Methodex Systems Private Limited, Ranchi commencing from 06.06.2022.

His major subject was:

1. Financial Statements.

We wish him success in future endeavors.

Thanks,

For, Methodex Systems Private Limited

Authorized Signatory

Methodex Systems Private Limited

MIG D/10, Patel Chowk, Harmu Housing Colony, Ranchi-834002 | Ph: +91-651-2240821
Regd. Office: 607-8, Meghdoot, 94 Nehru Place, New Delhi-110019 | Ph: +91-11-26432475/6 | Fax: +91-11-26468492
Toll Free No. - 1800 102 0675 | Email: info@methodexsystems.com | Web: www.methodexsystems.com
ISO 9001:2008, 14001:2004 & OHSAS 18001:2007 CERTIFIED COMPANY | CIN No. - U74140DL1974PTC007280

CERTIFICATE OF APPROVAL

This is to certify that the undersigned have accessed and evaluated the project on **“FINANCIAL STATEMENTS ANALYSIS”** submitted by PRIYANSHU SRIVASTAVA of Part – III (Semester – V) for the academic year 2022-23. This project is original to the best of our knowledge and has been accepted for Internal Assessment.

Internal Examiner

External Examiner

DECLARATION

I, PRIYANSHU SRIVASTAVA student of BBA (Part - III) Roll No: 20PBBA046688 hereby declare that the project titled “FINANCIAL STATEMENTS ANALYSIS” submitted by me for Semester -V of the academic year 2022- 23 is based on actual work carried out by me under the guidance and supervision of Mr. Amit Kumar Sinha, Regional Head at Methodex Systems Private Limited, RANCHI and PROF. ABHIJIT DEY. I further state that this work is original and not submitted anywhere else for any examination.

(PRIYANSHU SRIVASTAVA)

Name & Signature of student

TABLE of CONTENTS

TITLE	Page No.
Executive Summary	1
Chapter 1: Introduction	2
• Background of the Study	3
• Limitations of the Research study	4
Chapter 2: Factors to be Studied under the “Financial Statements Analysis”	5
• Balance Sheet	6-7
• Income Statement	8
• Statement of Stockholder’s Equity	8
• Statement of Cash Flows	9
Chapter 3: About the Organization	10
• Company Overview	11
• Vision Statement	12-13
• Company Profile	14
• Directors of Company	15
• Organization Structure	16
Chapter 4: Research Study	17
• Objectives and Scope of the Study	18
• Research Problem and Research Design	19
• Data Collection Methods	20
➤ Balance Sheet of Methodex Systems Private Limited	21-22
➤ Profit & Loss Statement of Methodex Systems Private Limited	23-24
• Research Measuring Tools	25
➤ Cash Flow Statements	26
➤ Ratio Analysis	27-28
• Research Methodology adopted for the Study	29
• Steps Involved	30
• SWOT Analysis	31
Chapter 5: 1. Data Interpretation	32
• Ratio Analysis	33-34
➤ Current Ratio	35-36
➤ Liquid Ratio	37-38
➤ Debt-Equity Ratio	39-40
➤ Debt Service Coverage Ratio	41-42
➤ Inventory Turnover Ratio	43-44
➤ Net Capital Turnover Ratio	45-46
➤ Return on Equity Ratio	45-46

➤ Net Profit Ratio	47-48
➤ Return on Capital Employed	49-50
➤ Gross Profit Ratio	51-52
• Interpretation of Cash flow Statements	53-56
2. Hypothesis Testing	57-58
3. Suggestions	59
4. Conclusion	60
Chapter 6: Bibliography	61
Annexures	62-66

EXECUTIVE SUMMARY

Subject Matter: This project provides an analysis and interpretation of cash flow statements of 2020-2021 and 2021-2022 and some ratios of Methodex Systems Private Limited.

Methods of Analysis: Methods of analysis include Cash flow statements comparison of two years and analysis, Ratio analysis such as liquidity ratio, profitability ratio, turnover ratio, etc. and Hypothesis testing.

Limitations of the report: Problems involved in such report are:

- a. Difficult to get Data
- b. Limited data
- c. Limited period

Findings: Results of data analyzed show that the Liquidity ratio i.e., Current ratio is less than the standard ratio of 2:1 but the liquid ratio is perfect. The activity or turnover ratio like inventory turnover, net capital turnover is ideally satisfactory. The overall profitability ratio like return on equity ratio, net profit ratio and the gross profit ratio is poor and not satisfactory for a retail company.

Suggestions: The company needs to improve its current ratio which ideally should be 2:1 and needs to improve the net profit and gross profit margins which are low as compared to the standards so that the overall profitability ratios can improve.

Conclusion: The position of the company is average. But still, it can improve the position. As the competition in the market is getting tougher and tougher, Methodex Systems Private Limited should make change to maintain the market share. So, the financial performance is satisfactory but there is a further scope for improvement.

CHAPTER 1:
INTRODUCTION

Background of the Study:

The research study is based on the internship done in Methodex Systems Private Limited, Ranchi on the topic of “Financial Statement Analysis”.

Financial statement analysis is a process of selection, relation and evaluation of a financial statement. The first procedure is to select from the total information available about a business enterprise. The second procedure is to arrange the information in a way that will bring out significant relationships. The final procedure is to study these relationships and interpret the results.

Strong financial position of a company helps to attract investors. The more the financially strong a company, the more company is wealthy. There are two kinds of users of financial statement. Those are internal and external user. Management of a company evaluates their financial statement end of each accounting period to understand their business activity.

Financial Statement is simply a declaration of what is believed to be true communicated in terms of a monetary unit, such as Dollar, TL etc. Financial Statement is showing a firm accounting value on a particular date. It summarizes a firm's performance over a period of time performances over a period of time. Statement might cover a period as short as a week or as long a year. Annual financial Statement of companies includes financial information for a year.

There are four primary Financial Statements and these are: -

1. Balance sheet
2. Income statements
3. Statement of stockholder's equity
4. Statement of Cash Flows.

Each contains important and different types of information. These statements are vital to management decision marketing and for the discharge of disclose obligation to external parties.

Limitations of the Research Study

1. Difficult to get Data: - Company's web site was insufficient for financial information. Therefore, had to work hard a lot get this financial information for preparing my project.

2. Limited data: - This project has completed with annual reports; it just constitutes one part of data collection that is secondary. There were limitations for primary data collection because of confidentiality.

3. Limited period: - This project is based on two years of annual reports. Conclusions and recommendations are based on such limited data. The trend of last two year may or may not reflect the real performance of the company. Also being a private sector, it was difficult to get access to various data.

4. Ignores some Factors: - It is only based on mathematical interpretation of the figures and ignores the factors such as management style, motivation of workers leadership, etc.

Chapter 2:
Factors to be Studied under the
“Financial Statements Analysis”

Financial Statements Analysis:

The term 'financial analysis', also known as analysis and interpretation of financial statements, refers to the process of determining financial strengths and weakness of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and opposite data. The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. The analysis and interpretation of financial statements is essential to bring out the mystery behind the figures in financial statements. Financial statements analysis is an attempt to determine the significance and meaning of the financial statement data

The term 'financial statement analyses' includes both 'analyses' and 'interpretation'. While the term analysis' is used to mean the simplification of financial data by methodical classification of the data given in the financial statements, 'interpretation' means, 'explaining the meaning and significance of the data.

A. Balance Sheet:

The Balance sheet is a snap shot of a firm. It is a convenient means of organizing and summarizing what a firm owes (its Liabilities) and the differences between two (the stockholder's equity) at a given point in time. Every organization prepares a balance sheet at end of the year and many companies prepare a balance sheet at end of the year. In addition, many companies prepare one and end of each month. The date in a balance sheet is important because the financial position of a business may change quickly, A balance sheet is most useful if it is relatively recent. The proper heading of a balance sheet consists of:

- (1) name of the organization
- (2) the title of the statement
- (3) the date for which the statements are prepared.

The body of the statement consists of three major sections:

1. Assets: - Assets are the economic resources of the business that can usefully be expressed in monetary rms that are owned by a business and are expected to benefit future operations. Assets take place in the left-hand side of balance sheet It may take many forms. Some assets such as land, Building and equipment may have readily identifiable physical characteristics. Other may simply represent claims for payment or services, such as amounts due from customers (account receivable) or pre-payment for future services (for example prepaid insurance). The assets are usually listed in established order, with the most liquid assets (cash. Receivable, supplies, and so on) preceding the more permanent assets land, Buildings, Equipment, etc.). Assets are classified as either-

a. Current Assets: - A current asset has a life of less than one year. This means that the asset will convert to cash within 12 months. For example, inventory would normally be purchased and sold within a year and is thus classified as a current asset. Obviously, cash itself is a current asset; Bank deposits, Accounts receivable (money owed to the firm by its customers) is also a current asset. Notes receivable (due within a year from the balance sheet date) Marketable securities short-term loans prepaid expenses Inventories include merchandise or goods that are ready to be sold, and other assets that are in the process of producing goods.

b. Fixed Assets: - A fixed asset is one that has a relatively long life. It takes place in the balance sheet after current assets. Fixed assets can be either tangible such as land, truck, computer, buildings, machinery, equipment, vehicles etc. or intangible assets include assets that do not have physical substance, but provide future economic benefits. Such as a trademark, patent, copyright, Goodwill. At present general accepted accounting principles calls for the valuation of most assets in balance sheet at cost, rather than current value.

2. Liabilities: - Liabilities or creditors equity are the obligations, or debts that the firm must pay in money or devices at some time in future. They therefore represent creditor's claims on the firm's assets. They represent negative future cash flows for the enterprise. Liabilities are used on balance sheet in the order that they will come due.

There are two categories' liabilities-

a. Short-term Liabilities: - Current liabilities include liabilities that are expected to be paid within a year from the balance sheet date. Short term liabilities such as accounts payable to creditor (due within a year from the balance sheet date), Notes payable (due within a year from the balance sheet date) Short-term borrowings, Salaries payable, Income taxes payable, Sales taxes payable, Current maturities of long-term debt (due within a year from the balance sheet date).

b. Long-term Liabilities: - Below short-term liabilities, long-term debt is presented. Long-term liabilities include liabilities that are expected to be paid after a year from the balance sheet date. Such as bonds payable, long-term notes payable (due after a year from the balance sheet date), long-term borrowings, mortgage will normally not be repaid in full for several years.

3. Stockholder Equity: - Stockholders equity or net worth is the equity of the section of the balance sheet. It is the residual claim stockholders of the Corporation after paying all kind of debts. The components of stockholder equity section are paid capital, additional paid in capital and retained earnings. Paid in- capital are paid by stockholders who owns the Corporation's shares. This amount is equal to per value or stated value of capital stock issued. Additional paid in capital in account showing the amount invested in excess of par value, in short, this account shows paid in capital in excess of capital. Retained earnings is the element of stockholder's equity in a corporation that has accumulated through profitable business operations. Net income increases retained earnings; net and dividend reduce retained earnings.

B. Income Statement: - Financial statement summarizing the result of operation of a business by matching its revenue and related expenses for a particular accounting period. The income statement (profit and loss statement) is the oldest financial statement and simply compares revenues and expenses over a period of time to show the firm's net profit or loss. The income statement may be figured on a day, week, month, quarter, or yearly basis. This generally shows the accounting profits or losses of a business because it records the revenues minus the expenses. Once expenses are deducted from the business revenue, the result is profit (or loss) for this specific time period. Revenue and expenses in the income statement are directly taken from company's adjusted trial balance.

1. Revenue: - Revenue is the price of goods sold and services rendered during a given accounting period. Earning revenue cause Owner's equity to increase. When a business renders Services or sells merchandise to its customers it usually receives cash acquires an account receivable from the customer. The inflow of cash and receivables from customers increases the total assets of the company; on the other side of the accounting equation, the liabilities do not change, but owner's equity increase to match the increase in total assets.

2. Expenses: - Expenses are the costs of the goods and services used up in the process of earning revenue. Examples include the cost of employees' salaries. Advertising, rent utilities, and the gradual wearing-out {depreciation} of such assets as buildings, Automobiles and office equipment. All these costs are necessary to attract and serve customers and thereby earn revenue. Expenses are often called the "costs of doing business" that is the cost of the various activities necessary to carry on a business.

3. Net Income: - The final profit or "net" profit of the business is represented by the sum of all revenues minus the sum of all expenses and yields a net profit for the organization. This is the amount of earnings available which may be used to pay dividends to stockholders, provide bonuses, reinvest in the business, provide additional support for organization's business activities and provide possible new products/services research. The net profit is an overall measure of the performance of 'the business over a period of time, generally on a monthly, quarterly, or year's performance basis.

C. Statement of stockholder's equity: - Many corporations expand their statement of retained earnings to show the changes during the year in all of the stockholder's equity accounts. This expands statement called a statement of stockholder's equity. This expanded version of the statement of retained earning explains the changes of during the year in each stockholder's equity account. It is not a required financial statement but is often prepared instead of a statement of retained earnings. The statement lists the beginning balance in each stockholder's equity account, Explains the nature and the amount of each change, and computes the ending balance in each equity account. The accounts of stockholder's equity are convertible preferred stock, common stock, additional paid-in capital, retained earnings, treasury stock and last one is total stockholder's equity.

D. Statement of Cash Flows: - The statement of cash flows is a basic financial statement that summarizes information about the flow of cash into and out of a company. A statement of cash flows classifies cash receipts and payments into three major categories: operating activities, investing activities, and financing activities. Grouping cash flows into these categories identifies the effects on cash of each of the major activities of a firm.

1. Cash flows from Operating Activities: - A company's income statement reflects the transactions and events that constitute its operating activities. Generally, the cash effects of these transactions and events are what determine the net cash flow from operating activities (also referred to as "cash flow from operations"). The primary operating cash inflows are cash receipts from customers, either as a result of sales made or services rendered. Other operating sources of cash include cash received as dividends and interest. Typical operating cash outflows include cash payments for merchandise purchased, cash payment to employees, cash payments to outside suppliers for various services and supplies, and cash payments for taxes.

2. Cash flows from Investing Activities: - A firm's transactions involving:

- (1) the acquisition and disposal of plant assets and intangible assets,
- (2) the purchase and sale of stocks, bonds, and other securities (that are not cash equivalents), and
- (3) the lending and subsequent collection of money constitute the basic components of its investing activities.

The related cash receipts and payments appear in the investing activities section of the statement of cash flows. Cash inflows would come from such events as cash sales of plant assets and intangible assets, cash sales of investments in stocks and bonds, and loan repayments from borrowers. Cash Payments to purchase plant assets and intangible assets, cash payments to purchase stocks and bonds, and cash loaned to borrowers would comprise the typical cash outflows related to investing activities.

3. Cash flows from Financing Activities: - A firm engages in financing activities when it obtains resources from owners, returns resources to owners, borrows resources from creditors, and repays amounts borrowed. Cash flows related to these events are reported in the financing activities section of the statement of cash flows. Cash transactions involving owners include cash received from issuing preferred stock and common stock, cash paid to reacquire treasury stock, and cash paid as dividends. Cash transactions with creditors include cash received by issuing bonds, mortgage notes and other notes, and cash paid to settle these debts. Observe that paying cash to settle such obligations as accounts payable, wages payable, and income tax payable are operating activities, not financing activities.

Chapter 3:

About the Organization



Company Overview

Methodex Systems Private Limited is one of India's leading diversified solutions companies that has marked its presence across varied segments like Government Enterprises, Public Sector Units, Banks, Offices, Institutions and Commercial Establishments. With more than 100,000 satisfied customers, we are committed to ensure customer delight, supported by our unique customer care process, starting from need analysis to after sales service. Established in 1960, Methodex is a professionally run organization with steadfast business ethics and farsightedness. All these years Methodex has been serving its clients through nationwide direct marketing pipeline of 32 regional offices and presence in over 100 locations manned by a workforce of over 1,000 professionals.

The company has two states of the art manufacturing facilities in Madhya Pradesh, equipped with the most modern machinery, manned by competent professionals, which deliver the high standards of quality demanded by customers today. The latest and larger of the plants was awarded the "Best Pollution Free & Environment Friendly Industrial Plant", by the Government of Madhya Pradesh, in two years (2011-12 & 2013-14). Methodex implements its own stringent set of quality processes and has internationally recognized 9001:2015, ISO 14001:2015, ISO 50001:2011 and OHSAS 18001:2007 certifications. Methodex is also registered as a seller on GeM portal: Government eMarketplace (GeM) to facilitate online procurement of goods & services required by various Government Departments / Organizations / PSUs.

We endeavour to manufacture & offer the best of products to our customers, and focus our activities on customer care and delight.

At Methodex "One Stop Solution" finds its true meaning.

VISION STATEMENT



OUR VISION

To be one of the leading direct marketing organizations in India.



OUR MISSION

Methodex is committed to deliver value to customers in different segments.



OUR VALUES

A company with core values of humanism, believing in a high level of employee engagement and efficient partnering with customers.

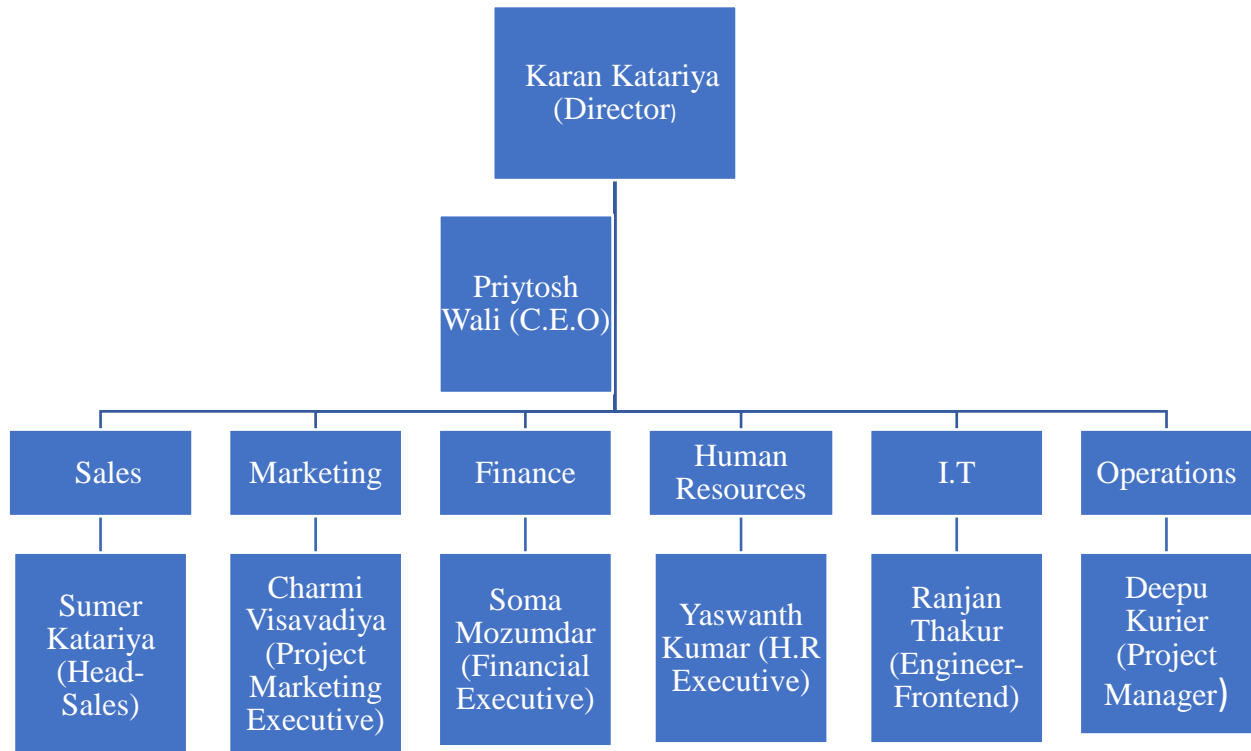
Company Profile:

Industry	Law Enforcement & Security Retail
Type of Company	Corporate
Ownership	Private
Nature of Business	B2B
Founded in	1960 (62 yrs. old)
Registered Name	METHODEX SYSTEMS PRIVATE LIMITED
Employee Count	1K-5K
Headquarters	Delhi/NCR, Delhi, India
C. E. O	Priytosh Wali
Company Category	Company Limited by Shares
Website	methodex.es

Directors of METHODEX SYSTEMS PRIVATE LIMITED

Name	Designation	Date of Appointment
Rohit Katariya	Managing Director	01 May 1988
Karan Katariya	Director	01 February 2018
Pankaj Gandhi	Wholetime Director	03 September 1992
Bipin Babubhai Shah	Director	30 September 1992
Kalpak Gandhi	Wholetime Director	01 May 1988
Sanjaya Katariya	Wholetime Director	30 September 1992

Organizational Structure



Chapter 4:

Research Study

Objectives of the Study

Everything in life holds some kinds of objectives to be fulfilled. This study is not an exception to it. The following are a few straight forward goals which I have tried to fulfil in my project:

1. To know about the organization and its working.
2. To understand about the Finance Department.
3. To analyze the solvency, profitability and liquidity position for last two years.
4. Interpretation of financial ratios and their significance.

Scope of the Study

The scope of the study is identified after and during the study is conducted. The study of Financial Statements Analysis is based on tools like Cash flow Statements, Profitability ratios, Turnover or activity ratios, Liquidity ratios, Solvency ratios, etc. Further the study is based on last two years Annual Reports of Methodex Systems Private Limited. The scope is limited to the secondary data only, which has been extracted from different websites, National and International articles as well as annual reports of Methodex Systems Private Limited. To analyze the quantitative data, the ratio analysis has been used. This study aims to examine the financial performance of Methodex Systems Private Limited.

Research Problem

A **Research Problem** is a specific issue or gap in existing knowledge that you aim to address in your research. The first step of a research process is to identify a problem. A research problem is a statement about an area of concern, a condition to be improved, a difficulty to be eliminated, or a troubling question that exists in scholarly literature, in theory, or in practice that points to the need for meaningful understanding and deliberate investigation. The selection of a problem is governed by Reflective Thinking. The identification and analyzing a research problem is the most crucial step. A topic or statement of the problem and research problem are not the synonymous but they are inclusive. The topic is the definition of the problem which delimits or pin point the task of a researcher.

Research Problem: Financial Statements are present in quantitative terms without interpretation and analysis of the given data.

Research Design

Research design is the framework of research methods and techniques chosen by a researcher to conduct a study. The design allows researchers to sharpen the research methods suitable for the subject matter and set up their studies for success.

Research Design of the study is based on Quantitative approach (Quantitative research designs tend to be more fixed and deductive, with variables and hypotheses clearly defined in advance of data collection).

Sample of the study

The sample for this study includes a private limited company namely Methodex Systems Private Limited.

Duration of the study

The research analyses the data for 2 years from 2020-2021 to 2021-2022.

Source of the Data

This study mainly depends on the **Secondary Data**. The relevant and required data were collected from the text books, websites, National and International articles, as well as annual reports of Methodex Systems Private Limited.

Tools and Techniques

The present study is an analytical study. For the analysis of data in the form of various Profitability ratios, Liquidity ratio, Turnover ratio, Solvency ratio has been employed.

Data Collection Method

The process of data collection begins after a research problem has been defined and research design has been chalked out. There are two types of data –

PRIMARY DATA - It is first hand data, which is collected by researcher itself. Primary data is collected by various approaches so as to get a precise, accurate, realistic and relevant data. The main tool in gathering primary data was investigation and observation. It was achieved by a direct approach and observation from the officials of the company.

SECONDARY DATA - It is the data which is already collected by someone else. Researcher has to analyze the data and interprets the results. It has always been important for the completion of any report. It provides reliable, suitable, adequate and specific knowledge.

DATA USED IN THE STUDY-

The required data for the study are basically **Secondary** in nature and the data are collected from-

- ♣ The audited reports of the company.
- ♣ Balance Sheet as at 2021 and 2022 of Methodex Systems Private Limited
- ♣ Statement of Profit and loss of Methodex Systems Private Limited
- ♣ Cash flow Statements of 2021 and 2022
- ♣ INTERNET – which includes required financial data collected from Methodex Systems Private Limited's official website and some other websites on the internet for the purpose of getting all the required financial data of the company and to get detailed knowledge about Methodex Systems Private Limited for the convenience of study.
- ♣ The valuable cooperation extended by staff members and the regional head of Methodex Systems Private Limited, contributed a lot to fulfill the requirements in the collection of data in order to complete the project.

Balance Sheet of Methodex Systems Private Limited

Particulars	As at 31 March 2022	As at 31 March 2021
	Rs	Rs
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share capital	83,26,570	83,26,570
Reserves and surplus	1,26,30,32,267	1,24,21,93,730
Non-current liabilities		
Deferred tax liabilities (net)	36,37,609	16,33,409
Long Term Borrowings	21,90,97,334	2,18,50,639
Current liabilities		
Short-term borrowings	60,03,37,089	1,04,77,00,919
Trade payables	62,27,95,131	72,44,44,720
Other current liabilities	21,75,67,463	22,63,13,281
Short-term provisions	5,38,64,062	6,16,15,320
TOTAL	29,88,65,726	3 34078588
ASSETS		
Non-Current Assets		
Tangible Assets	39,17,05,929	41,05,47,712
Intangible assets	6,26,360	10,43,933
Capital work-in-progress	16,223	—
Non-current investments	2,14,39,496	3,35,97,336
Long-term loans and advances	6,26,73,103	1,37,19,829
Current Assets		
Inventories	81,41,31,936	73,03,07,992

Trade receivables	1,33,56,45,225	1.729,726,871
Cash and cash equivalents	11,80,51,454	25,66,83,253
Short-term loans and advances	23,92,26,475	13,54,36,509
Other current assets	51,41,324	2,30,15,152
TOTAL	2,98,86,57,526	3,33,40,78,588

Statement of Profit & Loss of Methodex Systems Private Limited

Particulars	2021-22	2020-21
	Rs	Rs
INCOME		
Revenue from operations (Includes Related Party Transaction)	2,86,81,50,960	4,74,17,09,447
Other income	1,73,88,461	1,83,12,342
Total Income	2,88,55,39,421	4,76,00,21,789
EXPENDITURE		
Cost of materials consumed	97,66,60,878	1,33,36,13,079
Purchase of stock-in-trade	1,14,90,74,689	2,42,63,50,978
Changes in inventories of finished goods, work-in-progress and stock-in-trade	(9,58,58,918)	6,29,27,168
Employee Benefits Expense	34,80,03,546	37,55,75,488
Other expenses	34,86,66,642	37,17,02,664
Total Operating Expenses	2,72,65,46,837	4,57,01,69,377
Earnings before exceptional items, extraordinary items, interest, tax, depreciation and amortization (EBITDA)	15,89,92,584	18,98,52,412
Finance Cost	9,06,68,180	8,50,72,991
Depreciation and amortization expense	2,25,74,988	2,61,17,733
Profit before exceptional and extraordinary items and tax	4,57,49,416	7,86,61,687
Exceptional items & Extraordinary items	(26,627)	0
Profit before tax	4,57,22,789	7,86,61,687

Tax expense:		
(b) Net current tax expense	1,40,00,000	2,50,00,000
Deferred tax	20,04,199	(3,54,960)
	16,004,199	24,645,040
Profit from continuing operations	2,97,18,590	5,40,16,647
Profit from discontinuing operations	0	0
TOTAL OPERATIONS	2,97,18,590	5,40,16,647
Profit for the year	2,97,18,590	5,40,16,647

Research Measuring Tools

The data collected were edited, classified and tabulated for analysis. The research measuring tools used in this study are:

MEASURING TOOLS APPLIED:

A. Cash-Flow Statements

A cash-flow statement is a statement showing inflows (receipts) and outflows (payments) of cash during a particular period. In other words, it is a summary of sources and applications of each during a particular span of time. A statement of cash flows classifies cash receipts and payments into three major categories: operating activities, investing activities, and financing activities.

1. Cash Flows from Operating Activities:

A company's income statement reflects the transactions and events that constitute its operating activities. Generally, the cash effects of these transactions and events are what determine the net cash flow from operating activities.

2. Cash Flows from Investing Activities:

A firm's transactions involving (1) the acquisition and disposal of plant assets and intangible assets, (2) the purchase and sale of stocks, bonds, and other securities (that are not cash equivalents), and (3) the lending and subsequent collection of money constitute the basic components of its investing activities.

3. Cash Flows from Financing Activities:

A firm engages in financing activities when it obtains resources from owners, returns resources to owners, borrows resources from creditors, and repays amounts borrowed. Cash flows related to these events are reported in the financing activities section of the statement of cash flows.

Objectives of Cash Flow Statement:

1. Useful for Short-Term Financial Planning.
2. Useful in Preparing the Cash Budget.
3. Comparison with the Cash Budget.
4. Study of the Trend of Cash Receipts and Payments.
5. It explains the Deviations of Cash from Earnings.
6. Helpful in Ascertaining Cash Flow from various Separately.
7. Helpful in Making Dividend Decisions.

B. Ratio Analysis

1. Liquidity Ratio-

Liquidity is a very critical part of a business. Liquidity is required for a business to meet its short-term obligations. A higher liquidity ratio represents that the company is highly rich in cash. Liquidity ratios determine how quickly a company can convert the assets and use them for meeting the dues that arise. The higher the ratio, the easier is the ability to clear the debts and avoid defaulting on payments.

a. Current Ratio- Current Ratio also known as the working capital ratio is the most widely used ratio. The current ratio is a measure of a company's ability to pay off the obligations within the next twelve months. This ratio is used by creditors to evaluate whether a company can be offered short term debts. Thus, Current Ratio is a measurement of financial health of enterprise. The ideal level of Current Ratio is 2:1. The ratio is considered as safe margin of solvency due to the fact that if the current assets are reduced to half, then also the creditors will be able to get their payments in full.

Significance of Current Ratio-

- This financial metric helps to determine a company's immediate financial standing.
- A higher ratio often indicates greater liquidity and more stability.
- The financial tool helps to understand a firm's working capital requirement more effectively.
- It comes in handy for making an informed investment-related decision.

b. Liquid Ratio- Liquid Ratio is used to determine whether a company or a business has enough liquid assets which are able to be instantly converted into cash to meet short term financial obligations. Quick ratio of 1:1 is an accepted standard, since for every rupee of current liabilities, there is a rupee of quick assets.

Significance of Quick Ratio:

It is precisely an indicator of a company's ability or limitation in discharging its debts and obligations. A company's lenders, suppliers and investors rely on quick ratio to determine if it has enough liquid assets for discharging its short-term liabilities.

2. Solvency Ratio-

Solvency ratios are a key component of the financial analysis which helps in determining whether a company has sufficient cash flow to manage the debt obligations that are due. Solvency ratios are also known as leverage ratios. It is believed that if a company has a low solvency ratio, it is more at the risk of not being able to fulfil its debt obligation and is likely to default in debt repayment. Solvency ratios vary with the type of industry, but as a good measure a solvency ratio of 0.5 is always considered as a good number to have.

a. Debt Equity Ratio- Debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. D/E ratio is an important metric in corporate finance. It is a measure of the degree to which a company is financing its operations with debt rather than its own resources. Debt-to-equity ratio is a particular type of gearing ratio.

b. Debt Service Coverage Ratio- The debt-service coverage ratio applies to corporate, government, and personal finance. In the context of corporate finance, the debt-service coverage ratio (DSCR) is a measurement of a firm's available cash flow to pay current debt obligations. The DSCR shows investors whether a company has enough income to pay its debts. Debt-service coverage ratio is a widely used indicator of a company's financial health, especially those who are highly levered and carrying a lot of debt. The ratio compares a company's total debt obligations (including principal repayments and some capital lease agreements) to its operating income.

3. Turnover Ratio-

The turnover ratio or turnover rate is the percentage of a mutual fund or other portfolio's holdings that have been replaced in a given year. Funds with high turnover ratios might incur greater costs (trading fees, commissions) and generate short-term capital gains, which are taxable at an investor's ordinary-income rate.

a. Inventory Turnover Ratio- The inventory turnover ratio is the number of times a company has sold and replenished its inventory over a specific amount of time. The formula can also be used to calculate the number of days it will take to sell the inventory on hand. The turnover ratio is derived from a mathematical calculation, where the cost of goods sold is divided by the average inventory for the same period. A higher ratio is more desirable than a low one as a high ratio tends to point to strong sales. Knowing your turnover ratio depends on effective inventory control, also known as stock control, where the company has good insight into what it has on hand.

b. Net Capital Turnover Ratio- Net Capital Turnover (also called equity turnover) is a measure that calculates how efficiently the company is managing the capital invested by the shareholders in the company to generate revenues. If the ratio is high, it shows that the company efficiently utilizes the amount of capital invested. In contrast, if the ratio is low, it indicates that the company is not managing its capital investment efficiently to generate the required revenue, i.e., the company has to invest the funds appropriately to achieve the sales target by utilizing the owner's funds company.

4. Profitability Ratio-

The primary objective of each business enterprise is to earn profits. In fact, profit earning is considered essential not only for the survival of the business but is also required for its expansion and diversification. Profitability ratios are a type of accounting ratio that helps in determining the financial performance of business at the end of an accounting period. Profitability ratios show how well a company is able to make profits from its operations.

a. Return on Equity Ratio- Return on equity (ROE) is a ratio that provides investors with insight into how efficiently a company (or more specifically, its management team) is handling the money that shareholders have contributed to it. In other words, return on equity measures the profitability of a corporation in relation to stockholders' equity. The higher the ROE, the more efficient a company's management is at generating income and growth from its equity financing.

b. Net Profit Ratio- This ratio establishes the relationship in terms of percentage between Net Profit and Revenue from Operations, i.e., Net Sales. It shows the percentage of Net Profit earned on Revenue from Operations.

Significance of Net Profit Ratio:

- Investors, shareholders and business owners can review the firm's net profit margin to analyse its growth trends effectively.
- Net Profit Ratio is an indicator of overall efficiency of the business.

c. Return on Capital Employed- The term return on capital employed (ROCE) refers to a financial ratio that can be used to assess a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use. ROCE is one of several profitability ratios financial managers, stakeholders, and potential investors may use when analyzing a company for investment. Return on capital employed can be especially useful when comparing the performance of companies in capital-intensive sectors, such as utilities and telecoms.

d. Gross Profit Ratio- Gross Profit Ratio, sometimes also referred to as gross margin, is a type of profitability ratio. It helps to measure how much profit a company makes from the sale of goods and services after deducting the direct costs. Also, it helps to evaluate how efficiently the company is using its labour and raw materials during the production process. The higher the profit margin indicates more efficiency of the company. Also, this ratio gives owners a picture of how production costs affect their revenue. If the gross margin depreciates, they may revisit their strategy, change cash flow projections, change pricing, cut costs, cheaper raw materials, etc.

Research Methodology adopted for the Study

Descriptive research design is used in this study because it will ensure the minimization of bias and maximization of reliability of data collected. Descriptive study is based on some previous understanding of the topic. Research has got a very specific objective and clear-cut data requirements. This research had to use fact and information already available through financial statements of earlier years and analyze these to make critical evaluation of the available material. Hence by making the type of the research conducted to be both Descriptive and Analytical in nature.

Descriptive Research: Descriptive Research is a form of research that incorporates surveys as well as different varieties of fact-finding investigations. This form of research is focused on describing the prevailing state of affairs as they are. Descriptive Research is also termed as Ex post facto research.

Analytical Research: Analytical Research is a form of research where the researcher has to make do with the data and factual information available at their behest and interpret this information to undertake an acute evaluation of the data.

Steps Involved

Steps involved for the research study are as follows:

1. Setting the Objective and Scope of the study.
2. Identifying the Research Problem.
3. Creating the Research Design.
4. Methods adopted for Data collection.
5. Identifying the Research Measuring Tools.
6. Type of Research Methodology adopted for the study.
7. SWOT Analysis of the Research Study.
8. Data Interpretation
9. Hypothesis Development and Hypothesis Testing.
10. Suggestions and Conclusion.

SWOT Analysis

S-Strength: Strength of this research study is the Data Interpretation, Hypothesis development and Hypothesis Testing part.

W-Weakness: Weakness of the project is that this research study is not a professional work.

O-Opportunity: Opportunity of this research study is that through this study I got so much learning about how to analyze financial statements of a company, how to interpret financial ratios and cash flow statements of the company.

T-Threat: Threat of this research study is that there could be some chances of any error or mistakes in the research study.

Chapter 5:
Data Interpretation,
Hypothesis Testing
and Suggestions

RATIO ANALYSIS

1. Current Ratio-

$$\text{Current Ratio} = \text{Current Asset} / \text{Current Liabilities}$$

Current Assets= Inventories + Trade Receivable + Cash and Cash Equivalents + Short-term Loans and Advances + Other Current Assets

2021= 73.03 cr. + 172.97 cr. + 25.66 cr. + 13.54 cr. + 2.30 cr. = 287.51 cr.

2022= 81.41 cr. + 133.56 cr. + 11.80 cr. + 23.92 cr. + 0.51 cr. = 251.2 cr.

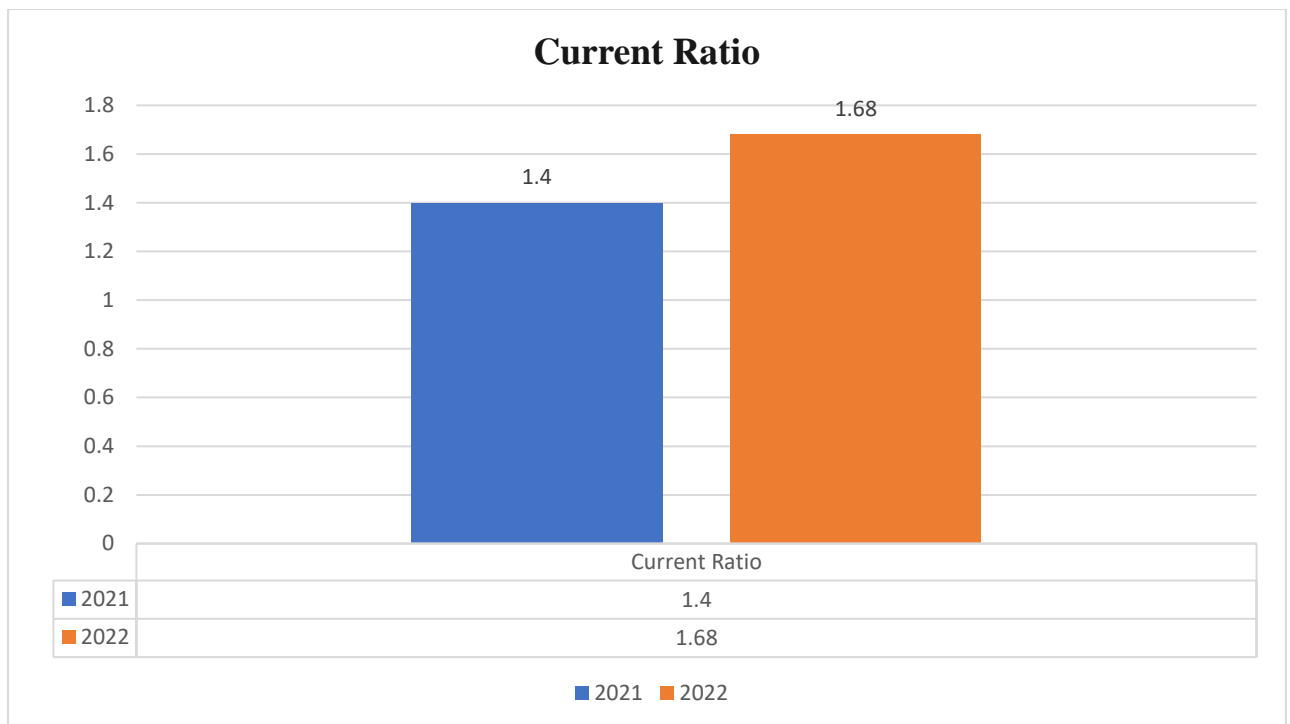
Current Liabilities= Short-term Borrowings + Trade Payables + Other Current Liabilities + Short-term Provisions

2021= 104.77 cr. + 72.44 cr. + 22.63 cr. + 6.16 cr. = 206 cr.

2022= 60.03 cr. + 62.27 cr. + 21.75 cr. + 5.38 cr. = 149.45 cr.

2021 = 290/206 = 1.40
2022 = 251/149 = 1.68

Year	Current Asset	Current Liabilities	Current Ratio
31.03.2021	287.51 cr.	206 cr.	1.40
31.03.2022	251.2 cr.	149.45 cr.	1.68



INTERPRETATION-

- An ideal current ratio is 2. The ratio of 2 is considered as a safe margin of solvency due to the fact that if current assets are reduced to half (i.e.) 1 instead of 2, then also the creditors will be able to get their payments in full. But the current ratio is less than the standard ratio in both the financial year which is not satisfactory as the safety margin is very less.
- Here, the current ratio has increased from FY 2021 to FY 2022 by 20.4%. This increase is because total current assets and current liabilities has decreased.
- There is a decrease in Trade Receivable, Cash & Cash Equivalent and other current assets which result in overall decrease in total current assets. Similarly Trade Payables, Short-term Borrowings and Provisions has decreased which results in overall decrease in total current liabilities.

2. Liquid Ratio-

$$\text{Liquid Ratio} = \text{Liquid Assets} / \text{Current Liabilities}$$

Liquid Assets = Current Assets - (Inventories + Prepaid Expenses)

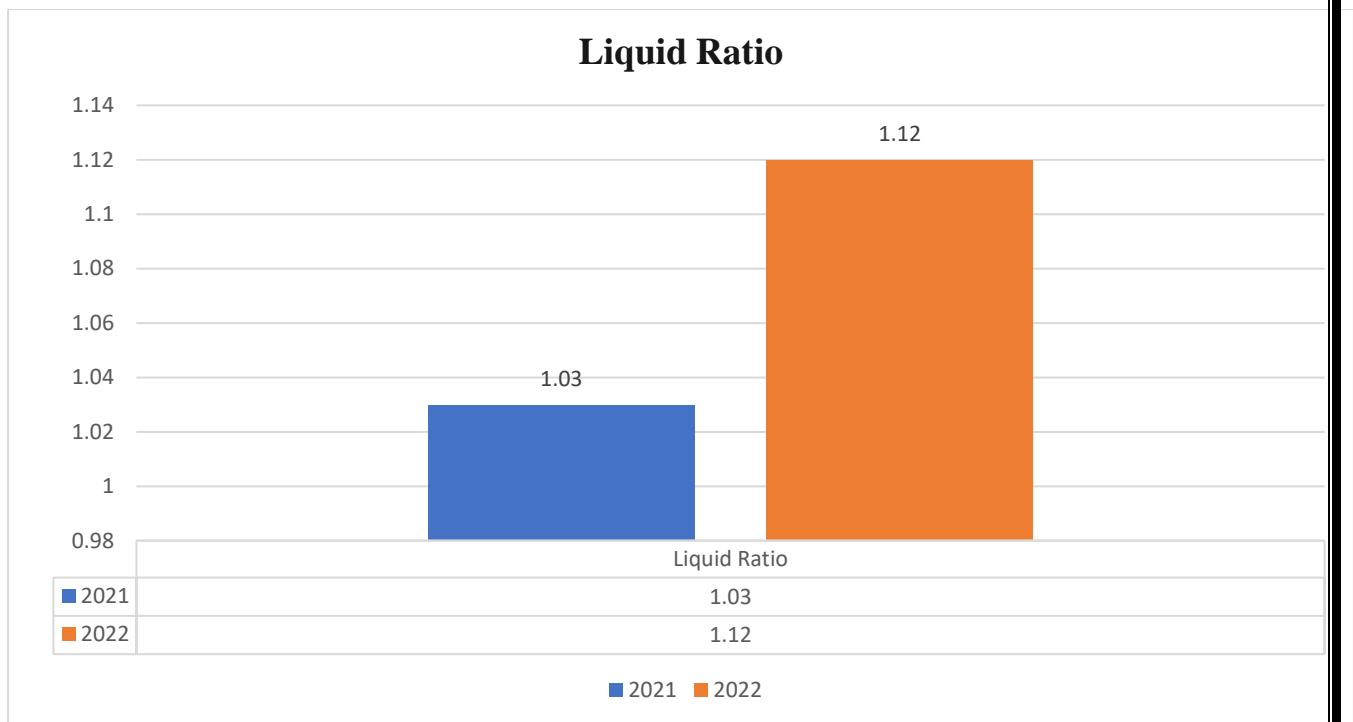
2021 = 287.51 cr. - (73.03 cr. + 0.78 cr.) = 213.69 cr.

2022 = 251.2 cr. - (81.41 cr. + 0.99 cr.) = 168.8 cr.

$$2021 = 213.69 / 206 = 1.03$$

$$2022 = 168.8 / 149.45 = 1.12$$

Year	Liquid Assets	Current Liabilities	Liquid Ratio
31.03.2021	213.69 cr.	206 cr.	1.03
31.03.2022	168.8 cr.	149.45 cr.	1.12



Interpretation-

- A Liquid ratio of 1:1 is considered favorable because for every rupee of current liability, there is at least one rupee of liquid assets. A higher value of ratio is considered favorable. Here the ratio is more than 1 i.e., 1.03 in 2021 and 1.12 in 2022. This means the company has managed its funds properly in this particular period.
- Here, Liquid ratio has increased FY 2021 to FY 2022 by 8.73%. This is because there is a proportional decrease in liquid assets and current liabilities.
- There is a decrease in Liquid assets because the sum of Inventories and Prepaid expenses is more in 2022 i.e., as in 2021.

3. Debt Equity Ratio-

$$\text{Debt Equity Ratio} = \text{Long Term Debt} / \text{Equity}$$

Equity = Share Capital + Reserves and Surplus

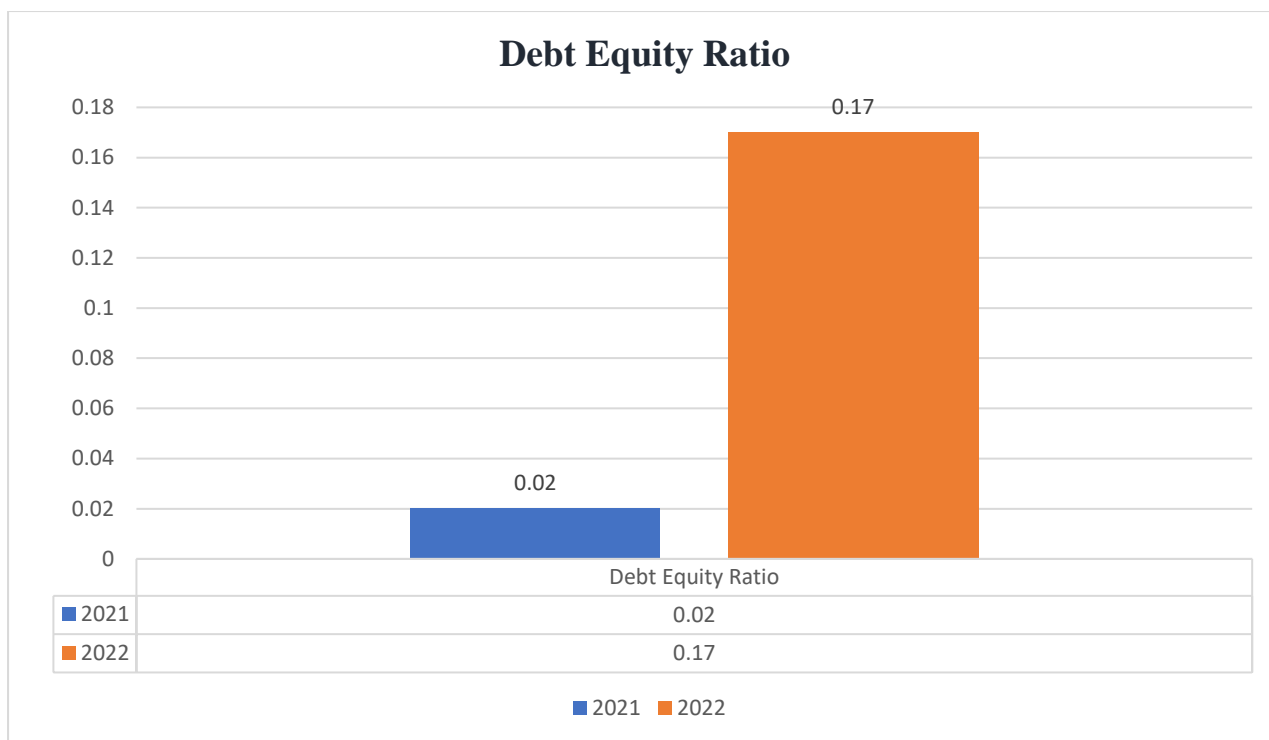
2021 = 0.83 cr. + 124.21 cr. = 125.04 cr.

2022 = 0.83 cr. + 126.30 cr. = 127.13 cr.

$$2021 = 2.50/125.04 = 0.02$$

$$2022 = 21.61/127.13 = 0.17$$

Year	Long term Debt	Equity	Debt Equity Ratio
31.03.2021	2.50 cr.	125.04 cr.	0.02
31.03.2022	21.61 cr.	127.13 cr.	0.17



Interpretation-

- The ratio shows the extent to which funds have been provided by long-term creditors as compared to the funds provided by the owners.
- Here, Debt Equity Ratio has increased from FY 2021 TO FY 2022 by 750%. This increase is due to GECL availed from SBI and Axis.

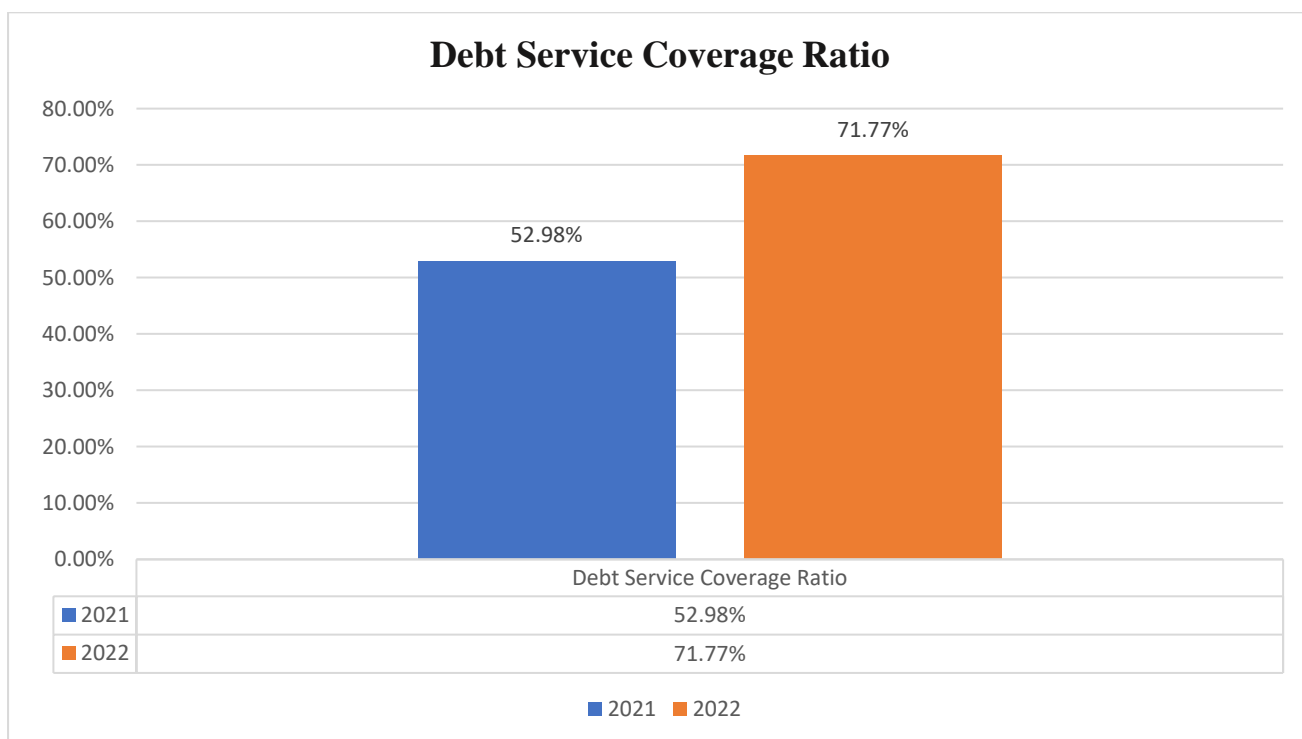
4. Debt Service Coverage Ratio-

$$\text{Debt Service Coverage Ratio} = [\text{EBITDA} / \text{Interest} + \text{Principal}] * 100$$

$$2021 = (18.98 / 35.83) * 100$$

$$2022 = (15.89 / 22.15) * 100$$

Year	EBITDA	Interest + Principal	Debt Service Coverage Ratio
31.03.2021	18.98 cr.	35.83 cr.	52.98%
31.03.2022	15.89 cr.	22.15 cr.	71.77%



Interpretation-

- Debt-service coverage ratio reflects the ability to service debt given a particular level of income. The ratio states net operating income as a multiple of debt obligations due within one year, including interest, principal.
- Here, the Debt-service coverage ratio has increased FY 2021 to FY 2022 by 35.5%. This increase is because the drop in revenue has decreased the profitability and increase in interest. Increase in Interest is due to large payment which is still due from various clients.

5. Inventory Turnover Ratio-

$$\text{Inventory Turnover Ratio} = \text{Cost of Goods Sold} / \text{Average Inventory}$$

$$\text{Average Inventory} = (\text{Opening Inventory} + \text{Closing Inventory}) / 2$$

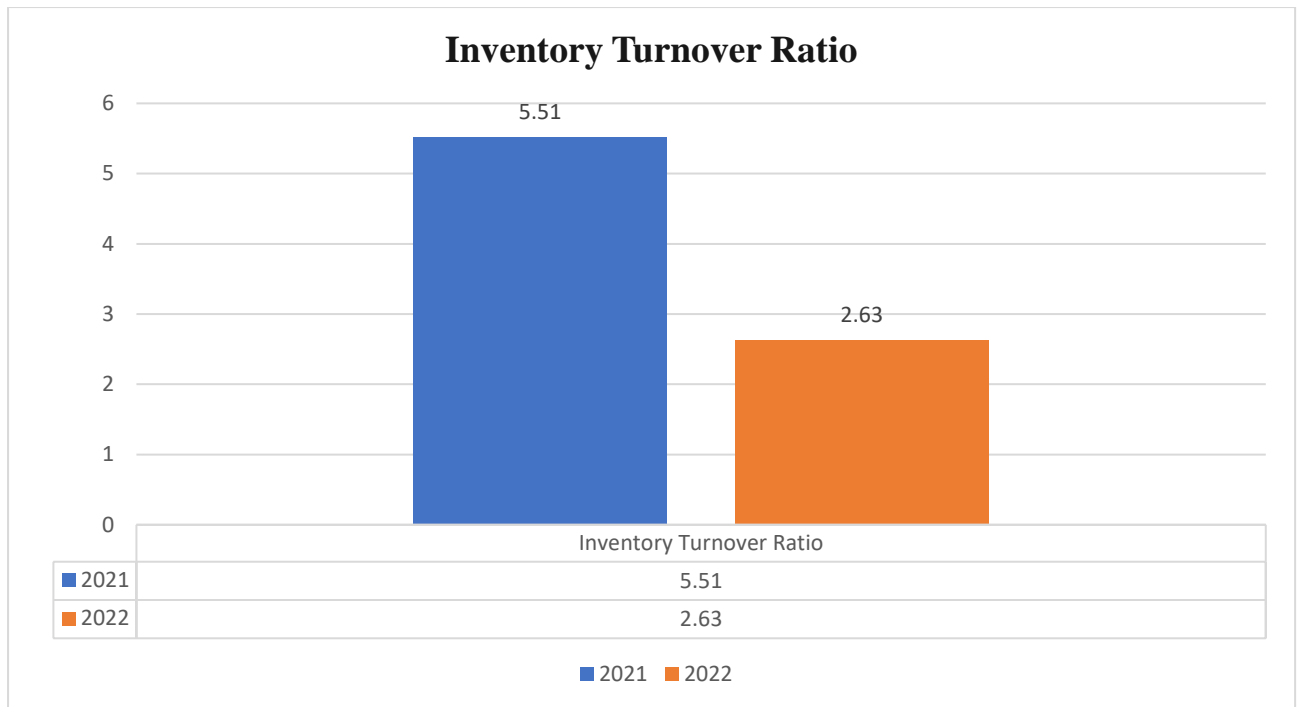
$$2021 = (65.70 + 73.03) / 2 = 69.36 \text{ cr.}$$

$$2022 = (73.03 + 81.41) / 2 = 77.22 \text{ cr.}$$

$$2021 = 382.21 / 69.36 = 5.51$$

$$2022 = 203.08 / 77.22 = 2.63$$

Year	Cost of Goods Sold	Average Inventory	Inventory Turnover Ratio
31.03.2021	382.21 cr.	69.36 cr.	5.51
31.03.2022	203.08 cr.	77.22 cr.	2.63



Interpretation-

- The inventory turnover ratio is a measure of how many times the inventory is sold and replaced over a given period. The higher the ratio number the better as it most often indicates strong sales. A lower ratio can point to weak sales and/or decreasing market demand for the goods.
- The ideal inventory turnover ratio is between 5 and 10. In 2021 the ratio is satisfactory i.e., 5.51 but in 2022 the ratio has decreased to 2.63. There is a decrease by -52.3%, this is because there is a significant decrease in cost of goods sold with not much decrease in average inventory.

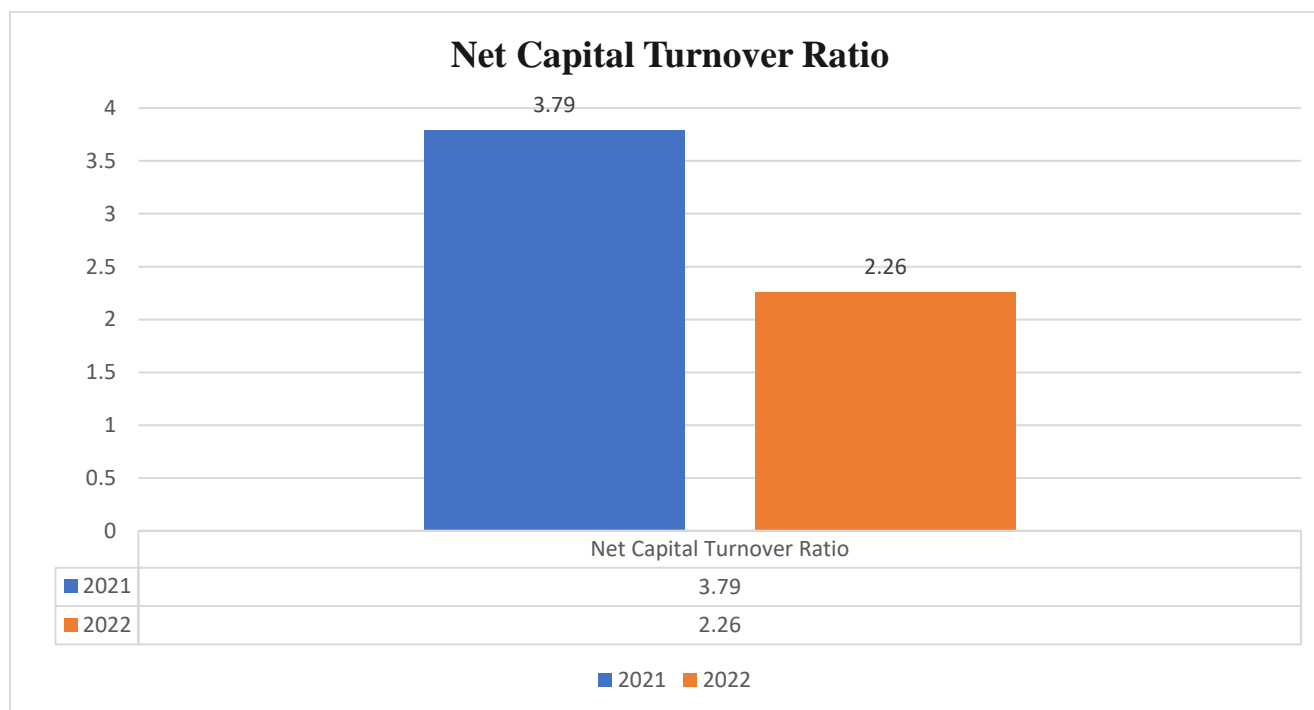
6. Net Capital Turnover Ratio-

Net Capital Turnover Ratio = Total Sales/ Total Capital

$$2021 = 474.17/125.04 = 3.79$$

$$2022 = 286.81/127.13 = 2.26$$

Year	Total Sales	Total Capital	Net Capital Turnover Ratio
31.03.2021	474.17 cr.	125.04 cr.	3.79
31.03.2022	286.81 cr.	127.13 cr.	2.26



Interpretation-

- Net Capital Turnover Ratio is a measure that calculates how efficiently the company is managing the capital invested by the shareholders in the company to generate revenues. Here the ratio is ideally satisfactory which shows that the company efficiently utilizes the amount of capital invested.
- The ratio has decreased from FY 2021 to FY 2022 by -40%. This is because there is a significant drop in total sales (-39.5%) but remaining the total capital almost constant.

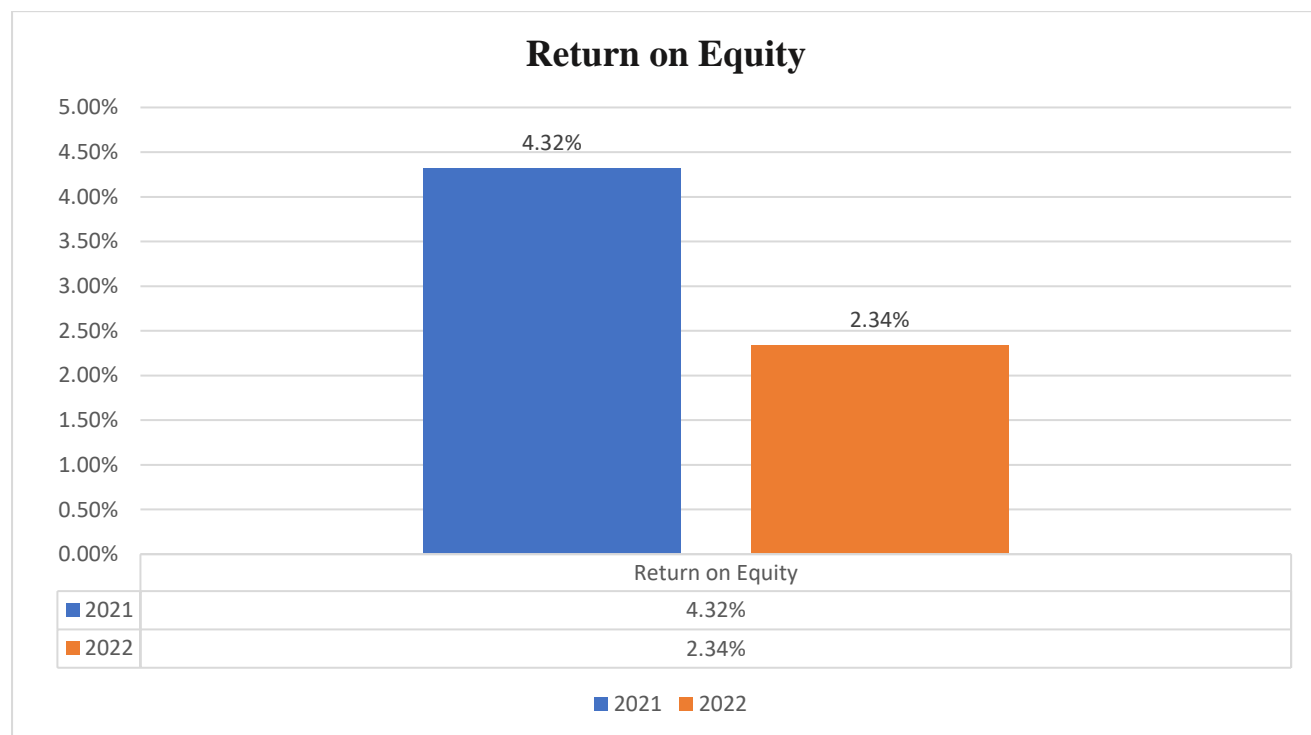
7. Return on Equity Ratio-

$$\text{Return on Equity Ratio} = [\text{Net Income} / \text{Equity}] * 100$$

$$2021 = (5.405 / 125.04) * 100 = 4.32\%$$

$$2022 = (2.982 / 127.13) * 100 = 2.34\%$$

Year	Net Income	Equity	Return on Equity Ratio
31.03.2021	5.405 cr.	125.04 cr.	4.32%
31.03.2022	2.982 cr.	127.13 cr.	2.34%



Interpretation-

- ROE looks at how much profit a company can generate relative to shareholders' equity. Here ideally the ROE is poor which implies that shareholder's amount is not utilized properly.
- There is a decrease in ROE from FY 2021 to FY 2022 by -45.9%. This decrease is due to decrease in the net profit by -44.82%.

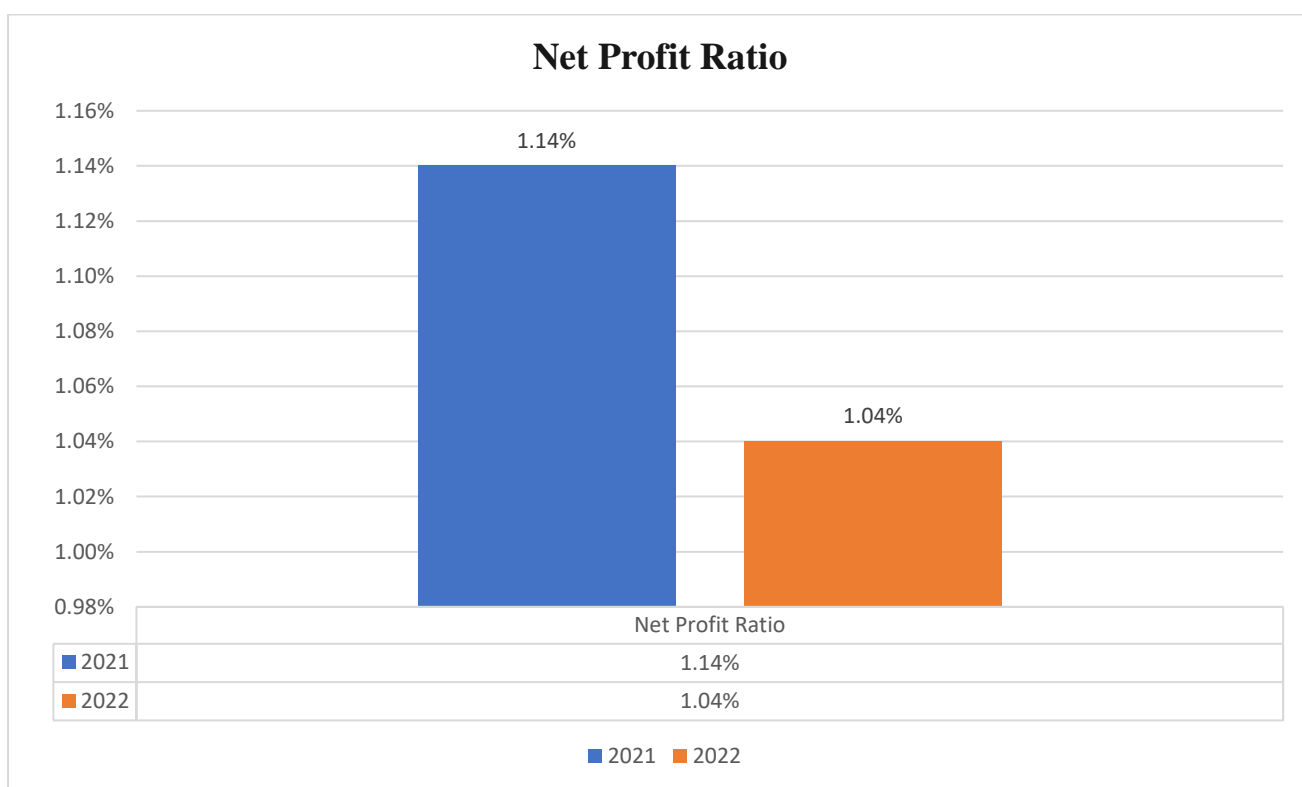
8. Net Profit Ratio-

$$\text{Net Profit Ratio} = [\text{Net Profit} / \text{Total Turnover}] * 100$$

$$2021 = (5.405/474.17) * 100 = 1.14\%$$

$$2022 = (2.982/286.81) * 100 = 1.04\%$$

Year	Net Profit	Total Turnover	Net Profit Ratio
31.03.2021	5.405 cr.	474.17 cr.	1.14%
31.03.2022	2.982 cr.	286.81 cr.	1.04%



Interpretation-

- Net Profit Ratio helps in determining the efficiency with which affairs of the business are being managed. Here the Net Profit Ratio which is 1.14% in 2021 and 1.04% in 2022 is ideally poor for a retail company.
- Here there is a decrease in the ratio from FY 2021 to FY 2022 by -9%. This decrease is because there is a significant drop in total turnover and net profit.
- The net profit has dropped by -44.82%, this drop is due to the fixed and finance costs.

9. Return on Capital Employed-

$$\text{Return on Capital Employed} = [\text{EBIT} / \text{Capital Employed}] * 100$$

Capital Employed= Total Assets-Total Current Liabilities

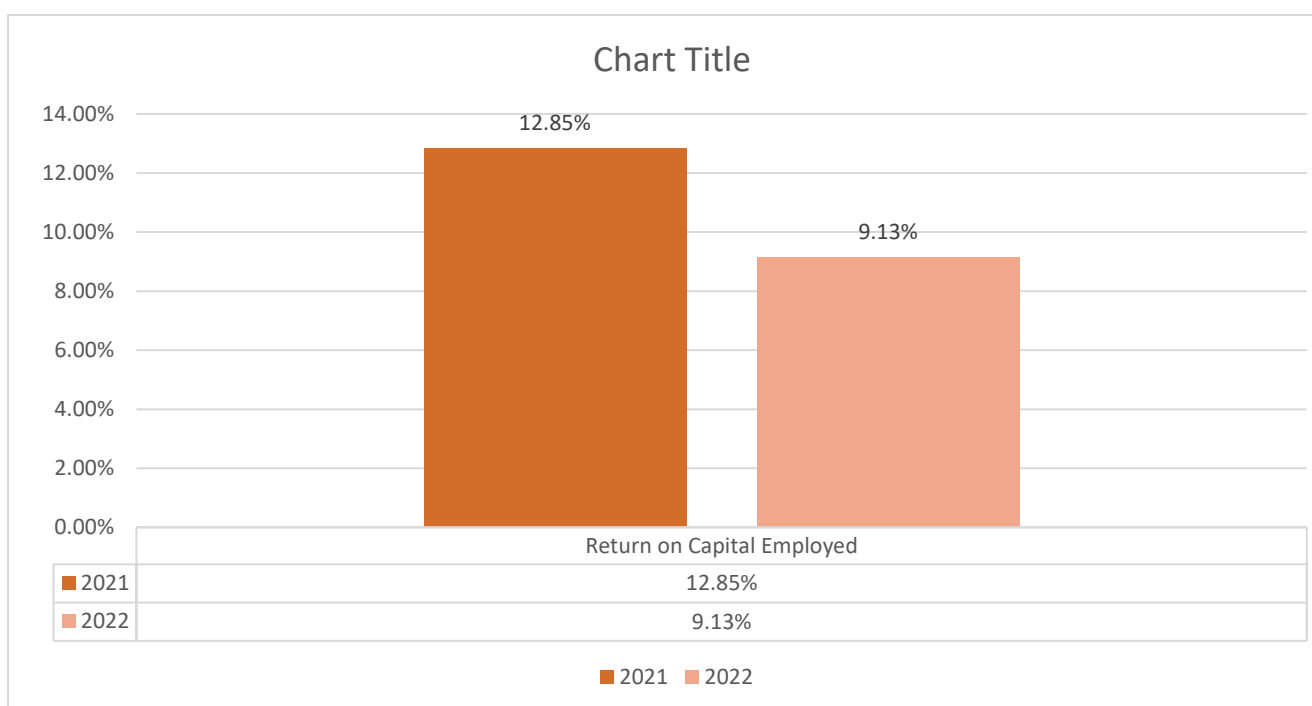
2021 = 334.40 cr. – 206 cr. = 127.40 cr.

2022 = 298.86 cr. – 149.45 cr. = 149.41 cr.

$$2021 = (16.37/127.40) * 100 = 12.85\%$$

$$2022 = (13.64/149.41) * 100 = 9.13\%$$

Year	EBIT	Capital Employed	Return on Capital Employed
31.03.2021	16.37 cr.	127.40 cr.	12.85%
31.03.2022	13.64 cr.	149.41 cr.	9.13%



Interpretation-

- It indicates the percentage of return on the total capital employed in the business. It measures the overall efficiency and profitability of the business in relation to investment made in business.
- There is a decrease in Return on Capital Employed from 2021 to 2022 by 29%. This is due to decrease in EBIT by -16.67% and increase in Capital Employed by 17.27%, which overall decrease in Return on Capital Employed.

10. Gross Profit Ratio-

$$\text{Gross Profit Ratio} = [\text{Gross Profit}/\text{Net Sales}] * 100$$

Gross Profit = Net Sales – Cost of Goods Sold

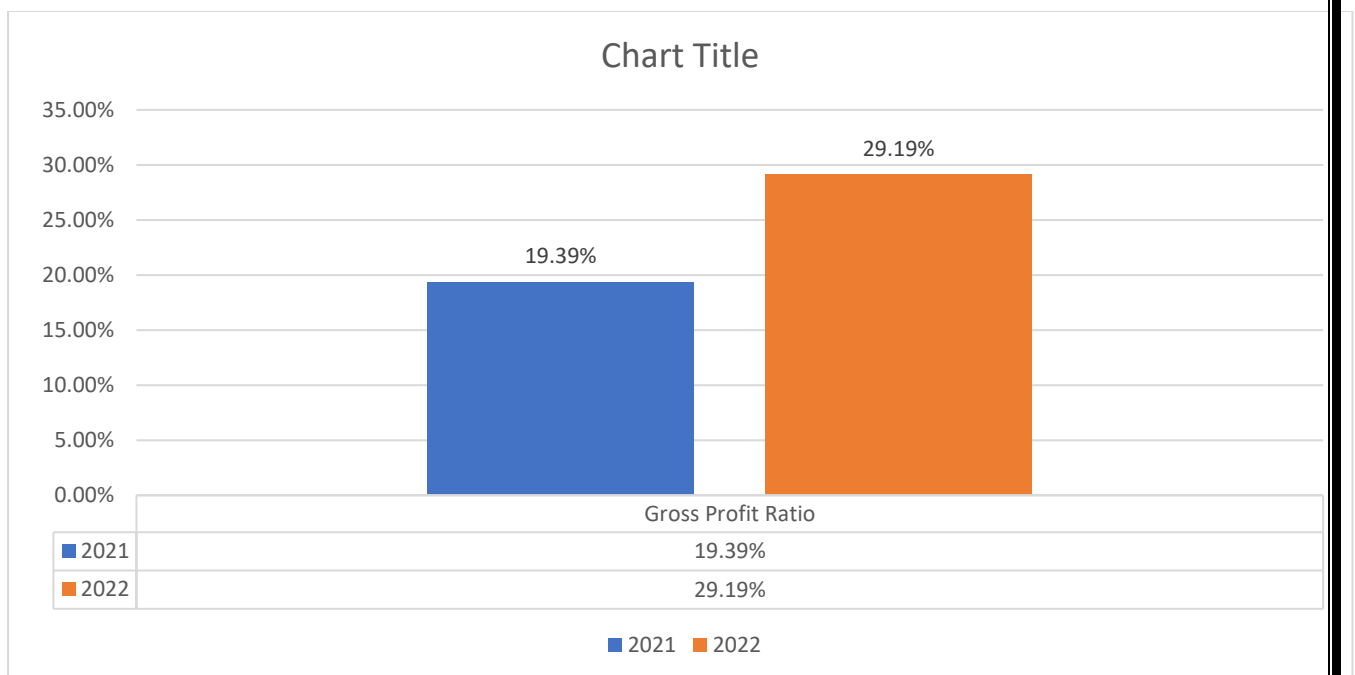
2021 = 474.17 cr. – 382.21 cr. = 91.96 cr.

2022 = 286.81 cr. – 203.08 cr. = 83.73 cr.

$$2021 = (91.96/474.17) * 100 = 19.39\%$$

$$2022 = (83.73/286.81) * 100 = 29.19\%$$

Year	Gross Profit	Net Sales	Gross Profit Ratio
31.03.2021	91.96 cr.	474.17 cr.	19.39%
31.03.2022	83.73 cr.	286.81 cr.	29.19%



Interpretation-

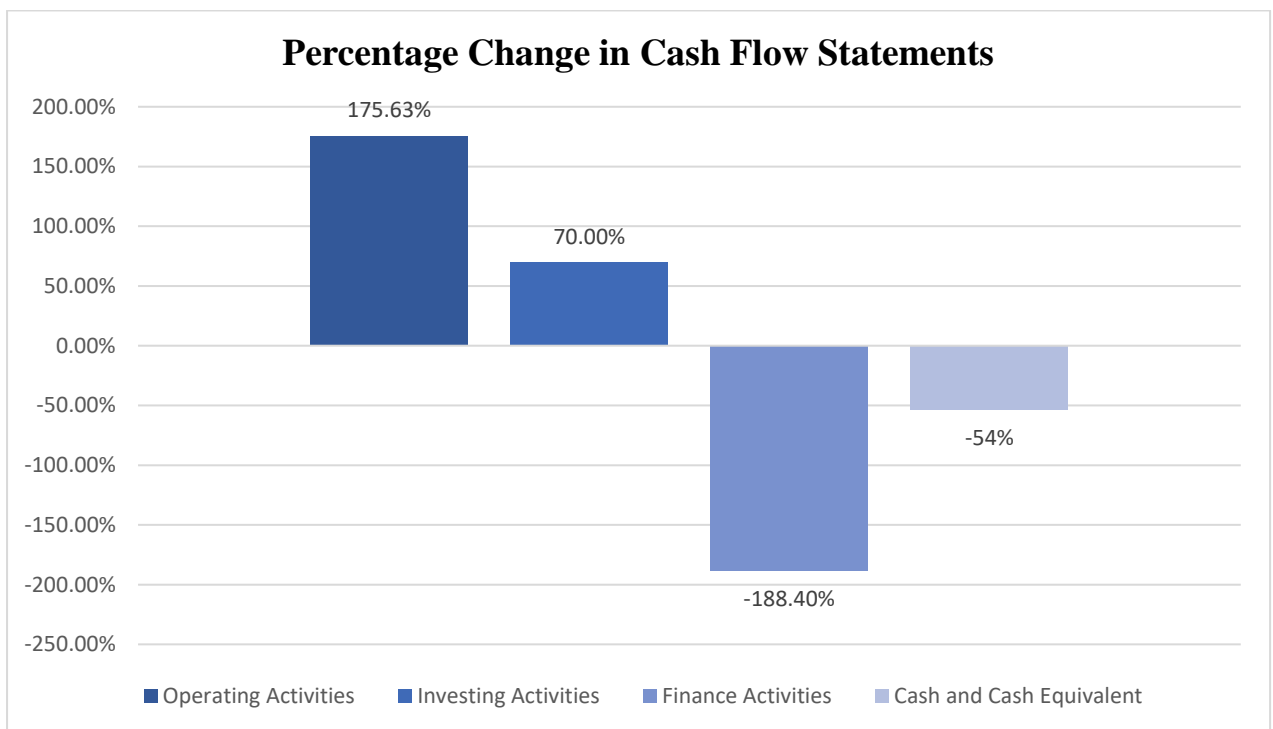
- Gross Profit Ratio helps to measure the company's efficiency to arrive at a profit after the production and sales process. Here the ratio which is 19.39% in 2021 and 29.19% in 2022 is not satisfactory which indicates that the company is not producing more efficiently.
- The ratio has increased from 2021 to 2022 by 50.54%, which is because the gross profit has decreased by -8.95% and net sales decreased by -39.51%.

Cash Flow Statement of Methodex Systems Private Limited-

Particulars	31 March, 2022	31 March, 2021	% Change
	Rs	Rs	
A. Cash flow from operating activities			
Net Profit / (Loss) before extraordinary items and tax	4,57,49,416	7,86,61,688	-41.85%
Adjustments for:			
Depreciation and amortization	22,574,988	26,117,733	
Finance costs	90,668,180	8,50,72,991	
Interest income	(77,76,923)	(1,14,82,817)	
Rental income from investment properties	(3,99,558)	(81,070)	
Other Miscellaneous Income	(35,90,812)	(67,48,455)	
Plant Subsidy	(45,22,000)	-----	
Operating profit/(loss) before working capital changes	14,27,03,291	17,15,40,070	-16.79%
Changes in working capital:			
Adjustments for (increase) / decrease in operating assets:			
Inventories	(83,823,945)	(7,32,63,106)	
Trade receivables	3,94,08,164	(77,22,55,674)	
Short-term loans and advances	(10,37,89,966)	7,50,61,461	
Long-term loans and advances	(4,89,53,274)	(46,22,339)	
Other current assets	1,78,73,828	(55,00,207)	
Other non-current assets	-----	-----	
Adjustments for increase / (decrease) in operating liabilities:			
Trade payables	(10,16,49,589)	30,29,12,060	
Other current liabilities	(87,45,819)	8,55,27,623	
Other long-term liabilities	-----	-----	
Short-term provisions	(77,51,258)	(2,92,047)	
Long-term provisions	-----	-----	
	5,72,41,624	(39,24,32,229)	
Cash flow from extraordinary items	(26,627)	-----	

Cash generated from operations	-----	-----	
Net income tax provisions	(1,40,00,000)	(2,50,00,000)	
Net cash flow from Operating Activities (A)	18,59,18,288	(24,58,92,159)	175.63%
B. Cash flow from investing activities			
Capital expenditure on fixed assets, including capital advances	(1,16,08,700)	(1,09,41,142)	
Proceeds from sale of fixed assets	2,29,453	56,141	
Withdrawal from the Associates	1,21,57,840	61,68,04	
Interest received – Others	77,76,923	1,14,82,817	
Rental income from investment properties	3,99,558	81,070	
Other Miscellaneous Income	35,90,812	67,48,455	
Subsidy Income	45,22,000	-----	
Net cash flow from / (used in) Investing Activities (B)	1,70,67,886	1,35,95,376	70%
C. Cash flow from financing activities			
Net increase / (decrease) in working capital borrowings:			
Proceeds from other long-term borrowings	19,72,46,695	-----	
Repayment of other short-term borrowings	(44,73,63,830)	47,98,04,175	
Finance cost	(9,06,68,180)	(8,50,72,991)	
Dividends paid	(8,32,657)	(83,26,570)	
Tax on dividend	-----	-----	
Net cash flow used in financing activities (C)	(34,16,17,972)	38,64,04,614	-188.4%
Cash flow from extraordinary items	-----	-----	
Net cash flow used in financing activities (C)	(34,16,17,972)	38,64,04,614	-188.4%

Net increase / (decrease) in Cash and cash equivalents (A+B+C)	(13,86,31,798)	15,41,07,831	-189.94%
Cash and cash equivalents at the beginning of the year	25,66,83,253	10,25,75,423	
Cash and cash equivalents at the end of the year	11,80,51,455	25,66,83,253	-54%



Interpretation-

- There is an increase in Net cash flow from Operating Activities from -24.58cr. in 2021 to 18.59cr. in 2022 by 175.63%. This increase is mainly due to the increase in changes in working capital by 114.57%.
- There is an increase in Net cash flow from Investing Activities from 1.35cr. in 2021 to 1.70cr. in 2022 by 70%. This increase is due to subsidy income of 45.22 lakhs recieved in 2022 which was nil in 2021.
- There is a decrease in Net cash flow from Financing Activities from 38.64cr. in 2021 to -34.16cr. in 2022 by -188.4%. This decrease is mainly due to decrease in repayment of other short-term borrowings from 47.98cr. in 2021 to -44.73cr. in 2022 by -193.22%.
- There is a decrease in Cash and Cash Equivalent at the end of the year from 25.66cr. in 2021 to 11.80cr. in 2022 by -54%. This decrease is due to Net Decrease in Cash and Cash Equivalent 15.41cr. in 2021 to -13.86cr. in 2022 by -189.94%.

Hypothesis Testing

H0: There is no significant difference between Profitability Ratio of Methodex Systems Private Limited of 2021 and 2022.

H1: There is significant difference between Profitability Ratio of 2021 and 2022.

Profitability Ratio of Methodex Systems Private Limited of 2021

Profitability Ratio	2021 (A) [in %]	$Y=A-\text{Mean}(A)$	Y^2
Return on Equity Ratio	4.32	-5.105	26.061025
Net Profit Ratio	1.14	-8.285	68.641225
Return on Capital Employed	12.85	3.425	11.730625
Gross Profit Ratio	19.39	9.965	99.301225
TOTAL=	$\sum A=37.7$	$\sum Y=0.000$	$\sum Y^2=205.7341$

Profitability Ratio of Methodex Systems Private Limited of 2022

Profitability Ratio	2022 (B) [in %]	$Z=B-\text{Mean}(B)$	Z^2
Return on Equity Ratio	2.34	-8.085	65.367225
Net Profit Ratio	1.04	-9.385	88.078225
Return on Capital Employed	9.13	-1.295	1.677025
Gross Profit Ratio	29.19	18.765	352.125225
TOTAL=	$\sum B=41.7$	$\sum Z=0.000$	$\sum Z^2=507.2477$

$$\text{Mean}(A) = 37.7/4 = 9.425$$

$$\text{Mean}(B) = 41.7/4 = 10.425$$

$$\text{Standard Deviation (S)} = \sqrt{\frac{\sum Y^2 + \sum Z^2}{n_1 + n_2 - 2}} = \sqrt{\frac{205.7341 + 507.2477}{4 + 4 - 2}} = \sqrt{\frac{712.9818}{6}} = \sqrt{118.8303} \\ = 10.9009312$$

T-test value or Statistical Value (t)

$$t = \frac{\text{Mean}(A) - \text{Mean}(B)}{S} \times \sqrt{\frac{n_1 \times n_2}{n_1 + n_2}} = \frac{9.425 - 10.425}{10.9009312} \times \sqrt{\frac{4 \times 4}{4 + 4}} = \frac{-1}{10.9009312} \times \sqrt{\frac{16}{8}} = \frac{-1}{10.9009312} \times \sqrt{2} = \\ \frac{-1.41421356}{10.9009312} = -0.12973328$$

NOTE: Critical value is at 5% significance value and 10 degrees of freedom (dof = n₁ + n₂ - 2).
T-test value (critical value) = -1.8120.

Here we can see that;

T-Test Value (Statistical Value) < T-Test Value (Critical Value)

$$-0.12973328 < -1.8120$$

Therefore, **Null Hypothesis is accepted.**

This implies that there is no significant difference between Profitability Ratio of Methodex Systems Private Limited of 2021 and 2022.

SUGGESTIONS

It is better for company to decrease its current liability to improve the liquidity ratio and liquidity position. Company should also focus on the net profit and gross profit margins which are low as compared to the standards so that the overall profitability ratios can improve.

Company has to increase net sales for increasing profitability of the entity and higher profitability will attract shareholders. The company must also aim at an effective utilization of owner's fund.

The company must aim to keep a standard level of liquid assets and try to maintain the profits which the company is earning now. Customer satisfaction as well as development of the customers should be given priority.

The company also needs to focus on cash flows from financing activities and cash and cash equivalents which has decreased from 2021 to 2022.

CONCLUSION

Finance is the life blood of every business concern but if it is not properly managed it can cause adverse effect in the economic. Therefore, the acquisition and utilization of finance is very important.

A financial statement of a company communicates to its user the financial position of the firm. The significance of this statement lies not in its preparation but in its analysis and interpretation. Thus, a study was made on the topic —Financial Statements Analysis of Methodex Systems Private Limited to know the financial position of the firm. This study helped to analyze the liquidity and efficiency of the business and the management of the firm.

Examination of the ratio analysis makes it possible to shed some light on its findings and draw some conclusions. Some of the findings of the study include the following: results of data analyzed shows that the Liquidity ratio i.e., Current ratio is less than the standard ratio of 2:1 but the liquid ratio is perfect. The activity or turnover ratio like inventory turnover, net capital turnover is ideally satisfactory. The overall profitability ratio like return on equity ratio, net profit ratio and the gross profit ratio is poor and not satisfactory for a retail company.

The position of the company is average. But still, it can improve the position. As the competition in the market is getting tougher and tougher, Methodex Systems Private Limited should make change to maintain the market share. So, the financial performance is satisfactory but there is a further scope for improvement.

Finally, I conclude that Methodex Systems Private Limited performance has been pretty satisfactory and can achieve the overall objective of the company.

BIBLIOGRAPHY

For Books:

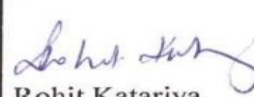

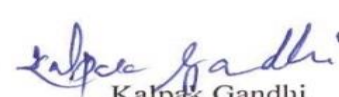

- 1) A. VINOD —Accounting for managementl,2017 edition, (Calicut university central co-operative stores publishers)
- 2) Basic Financial Management ,8th edition, Prentice -Hall, Inc. Scott, D.F., J. D. Martin, J.W. Petty and A. Keown.
- 3) Financial Management- Theory and Practice. Shashi K. Gupta, R.K. Sharma.
- 4) Essentials of Corporate Finance 2nd edition, Irwin /McGraw-Hill. Ross, S.A., R.W. Wester field and B.D. Jordan.

For Websites:

- 1) <http://www.methodexsystems.com/>
- 2) <https://www.investopedia.com/>
- 3) <http://www.money.rediff.com>
- 4) <http://www.wikipedia.org>
- 5) <http://www.google.com>
- 6) <http://www.managementparadise.com>
- 7) <http://www.moneycontrol.com/>

Annexures

Methodex Systems Private Limited
Balance Sheet as at 31 March, 2022 CIN U74140DL1974PTC007280

Particulars	Note No.	As at 31 March, 2022	As at 31 March, 2021
		Rs	Rs
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	8,326,570	8,326,570
Reserves and surplus	4	1,263,032,267	1,242,193,730
Non-current liabilities			
Deferred tax liabilities (net)	23 (I)	3,637,609	1,633,409
Long Term Borrowings	5	219,097,334	21,850,639
Current liabilities			
Short-term borrowings	6	600,337,089	1,047,700,919
Trade payables	7	622,795,131	724,444,720
Other current liabilities	8	217,567,463	226,313,281
Short-term provisions	9	53,864,062	61,615,320
TOTAL		2,988,657,526	3,334,078,588
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10	391,705,929	410,547,712
Intangible assets	10	626,360	1,043,933
Capital work-in-progress	10	16,223	-
Non-current investments	11	21,439,496	33,597,336
Long-term loans and advances	12	62,673,103	13,719,829
Current assets			
Inventories	13	814,131,936	730,307,992
Trade receivables	14	1,335,645,225	1,729,726,871
Cash and cash equivalents	15	118,051,454	256,683,253
Short-term loans and advances	16	239,226,475	135,436,509
Other current assets	17	5,141,324	23,015,152
TOTAL		2,988,657,526	3,334,078,588
		0	0
Accompanying notes form an intergal part of these financial statements		For and on behalf of the Board of Directors	
Auditor's Report			
As per our report of even date attached			
For, SAGC And Associates LLP			
Chartered Accountants			
Firm registration no: 012532N			
			
		Rohit Katariya	
Partner: Sanjeev Kumar Garg		Joint Managing Director	
Membership No: 093936		DIN '00583809	
UDIN no : 22093936ATBLTK5234			
New Delhi		Kalpak Gandhi	
September 5th, 2022		Director	
		DIN '00583825	
			
		Jitendra Paliwal	
		C S and Head Corporate Compliances	
		New Delhi	
		September 1st, 2022	

Methodex Systems Private Limited

Statement of Profit & Loss for the year ended 31 March, 2022 CIN U74140DL1974PTC007280

Particulars	Note No.	2021-22 Rs	2020-21 Rs
INCOME			
Revenue from operations (Includes Related Party Transaction)	18	2,868,150,960	4,741,709,447
Other income	19	17,388,461	18,312,342
Total Income		2,885,539,421	4,760,021,789
EXPENDITURE			
Cost of materials consumed	20A	976,660,878	1,333,613,079
Purchase of stock-in-trade	20B	1,149,074,689	2,426,350,978
Changes in inventories of finished goods, work-in-progress and stock-in-trade	20C	-95,858,918	62,927,168
Employee benefits expense	21	348,003,546	375,575,488
Other expenses	22	348,666,642	371,702,664
Total Operating Expenses		2,726,546,837	4,570,169,377
Earnings before exceptional items, extraordinary items, interest, tax, depreciation and amortisation (EBITDA)		158,992,584	189,852,412
Finance costs	23	90,668,180	85,072,991
Depreciation and amortisation expense	10	22,574,988	26,117,733
Profit before exceptional and extraordinary items and tax		45,749,416	78,661,687
Exceptional items & Extraordinary items	24(i)	-26,627	0
Profit before tax		45,722,789	78,661,687
Tax expense:			
(b) Net current tax expense	24(J)	14,000,000	25,000,000
Deferred tax		2,004,199	-354,960
		16,004,199	24,645,040
Profit from continuing operations		29,718,590	54,016,647
Profit from discontinuing operations		0	0
TOTAL OPERATIONS		29,718,590	54,016,647
Profit for the year		29,718,590	54,016,647
Earnings per share (of ₹10/- each):			
(a) Basic & Diluted before Exceptional items & Extraordinary items		35.69	64.87
(b) Basic & Diluted after Exceptional items & Extraordinary items		35.69	64.87

Accompanying notes form an integral part of these financial statements

Auditor's Report

As per our report of even date attached

For, SAGC And Associates LLP

Chartered Accountants

Firm registration no: 012532N

Sanjeev Kumar Garg

Partner: Sanjeev Kumar Garg

Membership No: 093936

UDIN no : 22093936ATBLTK5234

New Delhi

September 5th, 2022

For and on behalf of the Board of Directors

Rohit Katariya

Rohit Katariya

Joint Managing Director

DIN '00583809

Kalpak Gandhi

Kalpak Gandhi

Director

DIN '00583825

Jitendra Rajwal

C S and Head Corporate Compliances

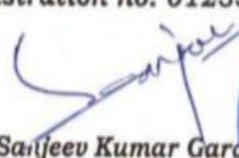
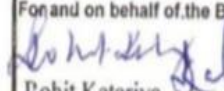

New Delhi

September 1st, 2022

Methodex Systems Private Limited
Cash Flow Statement for the year ended 31 March, 2022

Particulars	For the year ended 31 March, 2022	For the year ended 31 March, 2021
	Rs	Rs
A. Cash flow from operating activities		
Net Profit / (Loss) before extraordinary items and tax	45,749,416	78,661,688
<u>Adjustments for:</u>		
Depreciation and amortisation	22,574,988	26,117,733
Finance costs	90,668,180	85,072,991
Interest income	(7,776,923)	(11,482,817)
Rental income from investment properties	(399,558)	(81,070)
Other Miscellaneous Income	(3,590,812)	(6,748,455)
Plant Subsidy	(4,522,000)	-
Operating profit / (loss) before working capital changes	142,703,290.18	171,540,070.02
<u>Changes in working capital:</u>		
<u>Adjustments for (increase) / decrease in operating assets:</u>		
Inventories	(83,823,945)	(73,263,106)
Trade receivables	394,081,646	(772,255,674)
Short-term loans and advances	(103,789,966)	75,061,461
Long-term loans and advances	(48,953,274)	(4,622,339)
Other current assets	17,873,828	(5,500,207)
Other non-current assets	-	-
<u>Adjustments for increase / (decrease) in operating liabilities:</u>		
Trade payables	(101,649,589)	302,912,060
Other current liabilities	(8,745,819)	85,527,623
Other long-term liabilities	-	-
Short-term provisions	(7,751,258)	(292,047)
Long-term provisions	-	-
	57,241,624	(392,432,229)
Cash flow from extraordinary items	(26,627)	-
Cash generated from operations	-	-
Net income tax provisions	(14,000,000)	(25,000,000)
Net cash flow from operating activities (A)	185,918,288	(245,892,159)
B. Cash flow from investing activities	Rs	Rs
B. Cash flow from investing activities		
Capital expenditure on fixed assets, including capital advances	(11,608,700)	(10,941,142)
Proceeds from sale of fixed assets	229,453	56,141
Withdrawal from the Associates	12,157,840	6,168,035
Interest received - Others	7,776,923	11,482,817
Rental income from investment properties	399,558	81,070
Other Miscellaneous Income	3,590,812	6,748,455
Subsidy Income	4,522,000	-
Net cash flow from / (used in) investing activities (B)	17,067,886	13,595,376

Methodex Systems Private Limited
Cash Flow Statement for the year ended 31 March, 2022

Particulars	For the year ended 31 March, 2022	For the year ended 31 March, 2021
C. Cash flow from financing activities		
Net increase / (decrease) in working capital borrowings		-
Proceeds from other long-term borrowings	197,246,695	
Repayment of other short-term borrowings	(447,363,830)	479,804,175
Repayment of other short-term borrowings	-	-
Finance cost	(90,668,180)	(85,072,991)
Dividends paid	(832,657)	(8,326,570)
Tax on dividend	-	-
Net cash flow used in financing activities (C)	(341,617,972)	386,404,614
Cash flow from extraordinary items		
Net cash flow used in financing activities (C)		
Net increase / (decrease) in Cash and cash equivalents (A+B+C)	(138,631,798)	154,107,831
Cash and cash equivalents at the beginning of the year	256,683,253	102,575,423
Cash and cash equivalents at the end of the year	118,051,455	256,683,253
Reconciliation of Cash and cash equivalents with the Balance Sheet:	118,051,454	256,683,253
See accompanying notes forming part of the financial statements		
In terms of our report attached.		
For, SAGC And Associates LLP Chartered Accountants Firm registration no: 012532N/N500117  Partner: Sanjeev Kumar Garg Membership No: 093936 UDIN no : 22093936ATBLTK5234 New Delhi September 5th, 2022		For and on behalf of the Board of Directors  Rohit Katariya Kalpna Gandhi Joint Managing Director Director DIN '00583809 DIN '00583825  Jitendra Palival C S and Head Corporate Compliances September 1st, 2022

Methodex Systems Private Limited

Notes forming part of the financial statements

Note 5 Long-term borrowings

Particulars	2021-22	2020-21
	Rs	Rs
Secured		
Lease Rental		
Car Term Loans-		
Yes Bank	1,467,369	4,106,195
Kotak Mahindra Bank	752,711	
Unsecured		
State Bank of India G.E.C.L	177,882,810	17,744,444
State Bank of India G.E.C.L Extension	17,744,444	
Axis Bank G.E.C.L	21,250,000	
Total	219,097,334	21,850,639

The Company has various term loans, Credit Lines (G.E.C.L) and fixed assets on lease which were earlier classified as Short Term Borrowings. The company has reclassified all these borrowing to Long Term Borrowings in FY 2021-22.

Note 16 Short-term loans and advances (Unsecured Considered Good)

Particulars	As At 31.03.2022	As At 31.03.2021
	Rs	Rs
Security deposits /EMSD	66,071,937	50,833,798
Loans and advances to employees	6,246,529	4,359,777
Prepaid expenses - (For Insurance premium, Annual maintenance contracts, etc.)	9,919,008	7,876,568
GST / VAT / GST credit receivable	61,266,663	65,896,946
Advances to Creditors	28,034,048	-
Others (Payments for Import Purchases, advance Income tax , refunds & Security Deposits for Lease hold Premises)	63,888,290	60,174,850
Income Accrued but not billed	3,800,000	-
Total	239,226,475	189,141,938

Note 17 Other current assets

Particulars	As At 31.03.2022	As At 31.03.2021
	Rs	Rs
Interest accrued but not due on deposits	5,141,324	7,739,126
Total	5,141,324	7,739,126



Methodex Systems Private Limited

Note 18 Revenue from operations

Particulars	2021-22	2020-21
	Rs	Rs
Sale of products @ (Refer Note (i) below)	2,354,722,648	4,458,560,767
Sale of services @ (Refer Note (ii) below)	496,071,689	277,512,935
Export Sales	821,072	-
Other operating revenues # (Refer Note (iii) below)	16,535,551	5,635,745
Net Sales	2,868,150,960	4,741,709,447