A Study on Financial Statement Analysis at Dhanvantary Health Care

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***Abstract*: Finance is considered as life blood of business enterprise. The success and survival of any organization depends upon how efficiently it is able to raise funds as and when needed and their proper utilization. Financial statement play significance roll in decision making. These statements include the income statement, balance sheet, and statement of cash flows, notes to accounts and a statement of changes in equity. Efficient management of finance is very significant for the success of an enterprise. The purpose of this research was to analyzing the performance of Dhanvantary Health Care through the study of the balance sheet of the Dhanvantary Health Care and to know the financial position of the company by using ratio analysis and also to evaluate the financial strength and weakness of company by using cash flow statement and horizontal analysis. The study based on secondary data, which were collected for a period of three years (2015 to 2017). In order to know the performance of the company ratio analysis, cash flow statement and horizontal analysis were used. The conclusion of study is that company needs to improve their operating activities. It can conclude that they need to maintain their liabilities because in cash flow statement, it can be find that they have less assts than their liabilities. Through the horizontal analysis, it can conclude that company is performing better in 2017 than 2016.**

Introduction

Financial statement analysis (or financial analysis) is the process of reviewing and analyzing a company's financial statements to make better economic decisions. It is used by a variety of stakeholders, such as credit and equity investors, the government, the public, and decision-makers within the organization. These stakeholders have different interests and apply a variety of different techniques to meet their needs. Financial statement analysis can be performed by employing a number of methods or techniques that are Ratio Analysis, Cash flow Statement, Horizontal Analysis and Vertical Analysis. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency. Cash flow includes three activities that are operating activities, investing activities and financing activities. With the help of horizontal financial analysis, you can compare a business entity over different months or defined periods within a fiscal year. There are two methods for horizontal analysis – dollar analysis and percentage analysis. A vertical analysis is used to show the relative sizes of the different accounts on a financial statement. The analysis determines the relative weight of each account and its share in asset resources or revenue generation.

Literature Review

Dr. Ayad Shaker Sultan (2014) has done the study on Financial Statements Analysis - Measurement of Performance and Profitability: Applied Study of Baghdad Soft-Drink Industry. The objectives of this study are: (I) to study and show the unproblematic financial statements analysis, (ii) to evaluate the profitability position of Baghdad Soft-Drinks Industry, (iii) to measure the performance of Baghdad Soft-Drinks Industry according to its profitability. The researcher use secondary data for the study and the time period of the study was 10 years. There were five ratio used for analysis. The conclusion of the research was that the company has declining period in year 2007 and 2009.

Leonie Jooste (2007) did study on "An evaluation of the usefulness of cash flow ratios to predict financial distress". The objective of the paper is to investigate cash flow ratios suggested by various researchers and suggests a list of ratios with the potential to predict financial failure. The method used for it was ratios. The comparison revealed that cash flow ratios have predictive value with the cash flow to total debt identified as the best indicator of failure.

Ivan Klyuchankin study (2017) on "Cash Flow Management. Case: RE Trading LLC". The objective was to analyze the cash flow management in a case company RE Trading and provide the organization's representatives with any 21 recommendations for improving it, if necessary. Qualitative and quantitative methods were involved in the research process. Primary and secondary data used for research. The results showed that RE Trading LLC is able to create net cash flow.

Matthew Abioro (2013) did study on "impact of cash management on the performance of manufacturing companies in Nigeria-A study of Cadbury Nigeria Plc". In this study the method used was, two different hypotheses were formulated and tested using descriptive statistics and correlation coefficients. . The researcher used both secondary and primary data for data collection. For clear analysis, the study centers on two broad variables; the dependent variable which is performance and the independent variable which is Cash management. In this study, the author concludes that mere availability of cash (liquidity) without proper management does not necessarily translate into favorable performance for manufacturing companies. Hence, need for effective cash management for better performance.

James R. Kroes and Andrew S. Manikas (2014) done study on "Cash Flow Management and Manufacturing Firm Financial Performance: A Longitudinal Perspective". The objective of the study is to extend prior studies by examining the relationships between changes in cash flow measures and changes in firm financial performance using a longitudinal sample of firm data; and investigates the direction of the relationship between quarterly changes in cash flow positions and firm financial performance.

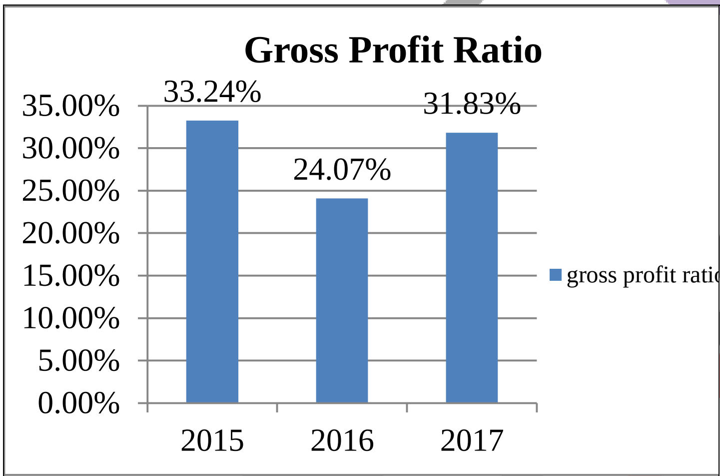
Research Methodology

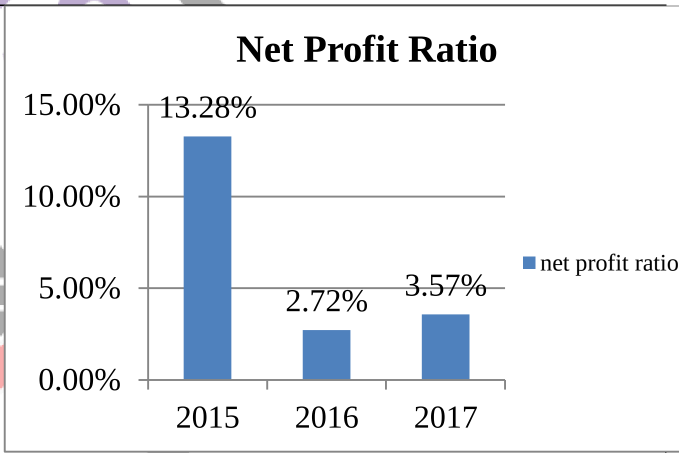
This study is based on secondary data which includes balance sheet of Dhanvantary Health Care for the year 2015 to 2017. The objective of the study is to study the balance sheet of the company, to know the financial position of the company by using ratio analysis and to evaluate the financial strength and weakness of company by using cash flow statement and horizontal analysis. The tool used for study is ratio analysis, cash flow statement and horizontal analysis. A limitation of the study is that the company is not disclosing some of their information.

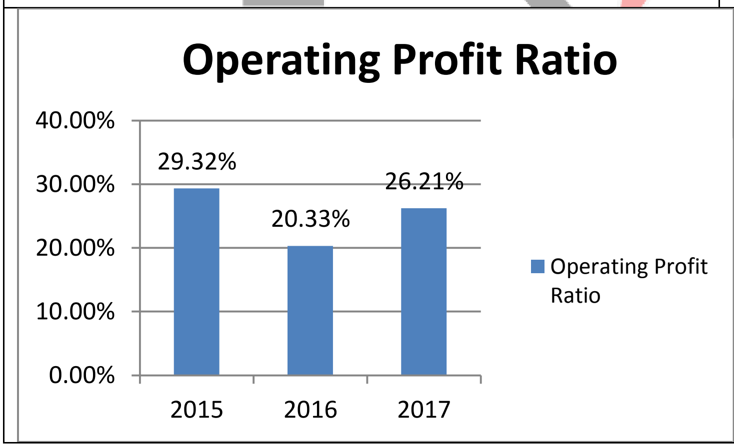
Data Analysis

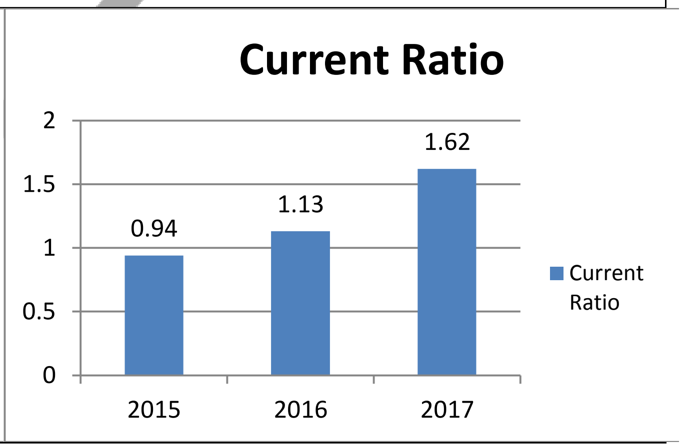
Ratio Analysis

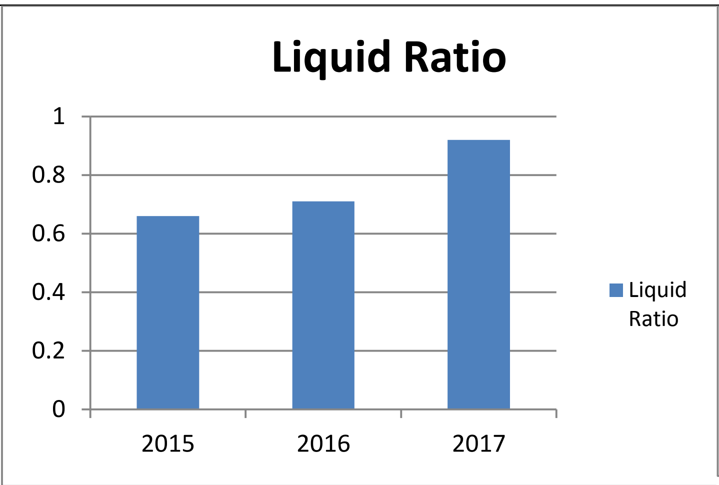
Ratio	2015	2016	2017
Gross profit ratio	33.24%	24.07%	31.83%
Net Profit Ratio	13.48%	2.72%	3.57%
Operating Expense Ratio	29.32%	20.33%	26.21%
Current Ratio	0.94:1	1.13:1	1.62:1
Liquid Ratio	0.66:1	0.77:1	0.92:1
Total Assets Turnover Ratio (in times)	2.10	13.43	3.18
Fixed Assets Turnover Ratio (in times)	1.94	2.80	2.31
Stock Turnover Ratio	20.55%	23.83%	35.61%

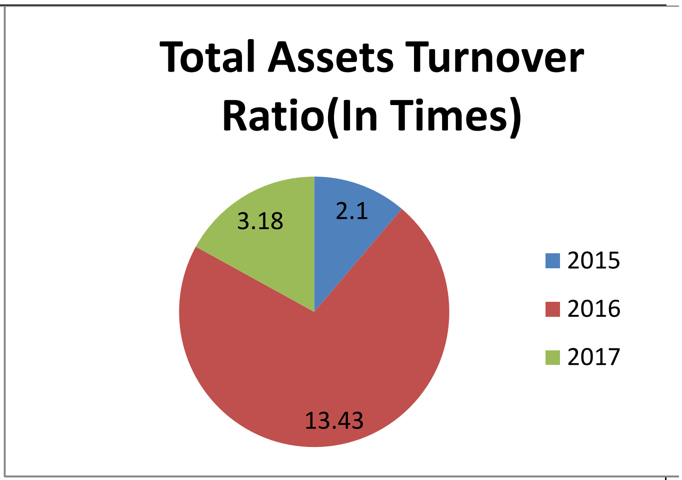


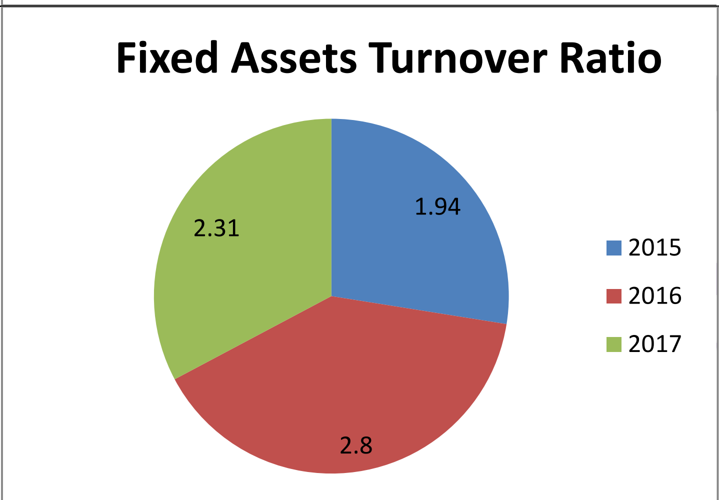


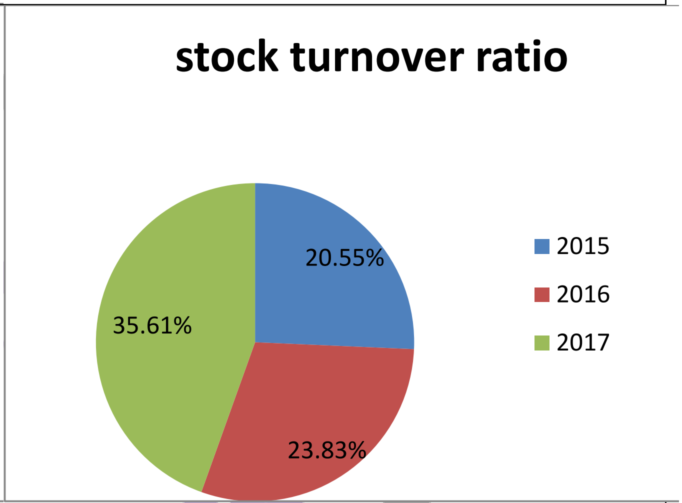












Interpretation:

By the gross profit ratio it can be said that in this year the company has the ability of controlling the cost of its inventory and manufacturing products. Company's net profit is decreasing in year 2016 it shows that it is not able to pay all the expenses of the firm including taxes, interest and depreciation, in 2017 company makes minor profit than previous year. The operating ratio is fluctuating every year and increase in 2017 by approx. 5.88 %. It shows that a company has good overall operating efficiency incorporating all the expenses of ordinary daily business activity so it is relatively profitable. The satisfactory ratio is 2:1 and the company's current ratio is increasing every year. The satisfactory ratio is 1:1. According to this it can conclude that Dhanvantary Health Care is not having sufficient liquidity position. The company's rate of total assets turnover ratios is fluctuating, hence it shows that company has relatively less capacity to sell more and as such its profitability is average. Standard turnover ratio is 5 times and here the ratio is less than standard ratio. It indicates underutilization of fixed assets. Company's inventory turnover ratio increasing every year so it is better for the company.

CASHFLOW STATEMENT

(Rs in Lacs)
As per balance sheet as at
Actual/ Estimates
For the year ended / or year ending on

	2014-15	2015-16	2016-17	2017-18
	1	2	3	4
1 Sources				
a) Net Profit (After Tax)		22.44	23.36	26.31
b) Depreciation		11.29	-0.27	-0.59
c) Increase in Capital		14.45	5.54	
d) Increase in Term Liabilities				
(Including Public Deposits)		42.44		12.53
e) Decrease in				
I) Fixed Assets				8.73
ii) Other Non-Current Assets				
f) Others				
g) Total		90.62	28.63	46.98
2 Uses				
a) Net Loss				
b) Decrease in Term Liabilities				
(Including Public Deposits)			1.46	
c) Increase in				
I) Fixed Assets		97.31	2.02	
ii) Other Non-Current Assets				
d) Dividend Payments				
e) Others				7.35
f) Total		97.31	3.48	7.35
3 Long Term Surplus (+) /				
Deficit (-) (1 - 2)		-6.69	25.15	39.63
4 Increase / Decrease in				
Current Assets * (as per				
details given below)		114.76	44.31	-7.17
5 Increase / Decrease in				
Current Liabilities other				
than Bank Borrowings		121.45	19.16	-46.8
6 Increase / Decrease in				
Working Capital Gap		-6.69	25.15	39.63
7 Net Surplus (+) / Deficit (-)				

(Difference of 3 & 6)				
8 Increase / Decrease in				
Bank Borrowings				
Increase / Decrease in Net Sales		166.53	81.54	-63.2
* Break-Up of (4)				
I) Increase / Decrease in				
Raw Materials		34.22	24.9	6.72
ii) Increase / Decrease in				
Stocks in Process				
iii)Increase / Decrease in				
Finished Goods				
iv) Increase / Decrease in				
Receivables				
(a) Domestic		77.42	20.5	-13.59
(b) Exports				
v) Increase / Decrease in				
Stores & Spares				
vi) Increase / Decrease in				
Other Current Assets		3.12	-1.09	-0.3

Note : Increase / Decrease Under Items 4 To 8, as also under Break-Up of (4)
Should be indicated by (+) \ (-).

Interpretation:
Cash flow statement also shows the financial position of the firm. In this statement the profit is increasing but at lower rate. In the above-mentioned statement of cash particularly on asset side the current assets are continuously decreasing which shows that company is not able to fulfill its basic requirement which they are fulfill by the selling of the current assets; particularly in 2017 year the current assets is -7.17 which means that company not having equivalent current assets. Net sales are decreasing in the year 2017. Company needs to increase their sales to improve their performance

HORIZONTAL ANALYSIS OF BALANCE SHEET

particular	**2017**	**2016**	**Change**	**%**
liabilities				
total share capital				
Reserves & Current liabilities	93,71,532.47	1,40,61,253.47	-46,89,721.00	-33.35208351
Secured Loans	29,51,486.63	24,98,162.66	4,53,323.97	18.14629517
Unsecured Loans	24,00,000.00	16,00,000.00	8,00,000.00	50
Total Liabilities	1,47,23,019.10	1,81,59,416.13	-34,36,397.03	34.79
Asset				

Less: Revaluation Reserves				
Capital Work in Progress				
Investments				
Inventories	65,83,680.00	59,12,460.00	6,71,220.00	11.35263494
Sundry Debtors	84,32,940.80	97,92,180.80	-13,59,240.00	-13.88087115
Cash and Bank Balance	1,62,229.53	1,10,502.24	51,727.29	46.81107822
Total Current Assets	58,09,412.86	18,46,725.57	39,62,687.29	214.5791099
Loans& Advances& Fixed Deposits	11,095.00	92,836.00	-81,741.00	-88.04881727
Total Assets	2,09,99,358.19	1,77,54,704.61	32,44,653.58	170.81

Interpretation:
Here, total liabilities are 34.79 where total asset is 170.81. Inventories, cash and bank Balance and total current asset is increasing where sundry debtors and loans, Advance, deposit is decreasing. Unsecured loans are 50% remaining. In this table it can Say that the inventories are increasing. Total asset is 170.81%. Secured loans change is 18.14%.

HORIZONTAL ANALYSIS OF BALANCE SHEET

particular	**2016**	**2015**	**Change**	**%**
liabilities				
total share capital				
Reserves & Current liabilities	1,40,61,253.47	1,21,44,702.47	19,16,551.00	15.78096297
Secured Loans	24,98,162.66	17,69,163.01	7,28,999.65	41.20590618
Unsecured Loans	16,00,000.00	24,75,000.00	-8,75,000.00	-35.35353535
Total Liabilities	1,81,59,416.13	1,63,88,865.48	17,70,550.65	21.63
Asset				
Less: Revaluation Reserves				
Capital Work in Progress				
Investments				
Inventories	59,12,460.00	34,21,668.00	24,90,792.00	72.79467207
Sundry Debtors	97,92,180.80	77,42,422.80	20,49,758.00	26.4743744
Cash and Bank Balance	1,10,502.24	2,57,809.18	-1,47,306.94	-57.13797313
Total Current Assets	18,46,725.57	-6,68,864.49	25,15,590.06	-376.0986115
Loans& Advances& Fixed Deposits	92,836.00	53,938.00	38,898.00	72.11613334
Total Assets	1,77,54,704.61	1,08,06,973.49	69,47,731.12	-261.85

Interpretation:
In this, total asset is decreasing while total liabilities are increasing. Cash and bank balance and total current asset is decreasing. And unsecured loans are decreasing at -35.35%. Sundry debtors are increasing, cash and bank balance and total current asset are increasing. Inventories are 72.79%. Reserve and current liabilities are 15.17%.

Findings

Ratio Analysis

Company get reach to ideal ratio to match up and also improved to cash management cycle. Debtors turnover ratio try to shorting time compare to creditors turnover ratio. Company get ready for external factors affecting business operation and selling activity and also remove the factor to affecting in sale amount because of in 2016-2017 year Major change by government get the impact of sales. Company get also improve operating system –like operation activity, selling, promoting and collection activity.

Cash flow statement

Cash flow statement shows that the company is performing poor in 2016. In the cash flow statement assets are decreasing while liabilities also decreasing.

Horizontal analysis

Horizontal analysis shows that in comparison of year 2017 and 2016, the performance is increasing but in year 2016 and 2015, performance is decreasing. Horizontal analysis shows that the company' performance is increasing but also fluctuating.

Conclusion

This research shows that the firms operating activities are not good. It also concludes that the company's performance is poor in 2016 than 2017. By the ratio analysis it can find that the company has less liquidity cash. And also company has more liabilities than the asset. This thing also found in the cash flow statement. Company's assets are decreasing while liabilities need to fulfill and the company's the liabilities are also decreasing. Cash flow statement and ratio analysis include every expense, so in that the result is different. Company is performing good but at very lower rate. Company needs to maintain their liabilities. Here it can also conclude that the method adopts different expenses, income, so in some cases results are different.

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