International Journal of Advances in Engineering and Management (IJAEM)
Volume 4, Issue 10 Oct. 2022, pp: 492-504 www.ijaem.net ISSN: 2395-5252

"A Study on Financial Statement Analysis On Aktinos Pharma"

Ms. N. Naveen kumar, Dr. Asif Hasan
MALLAREDDY UNIVERSITY
Maisammaguda, Dulapally,Hyderabad-500043,TelanganaState

Date of Submission: 01-10-2022 Date of Acceptance: 13-10-2022

I. CHAPTER- 1

OBJECTIVE

- To study the performance of the company in short run (Liquidity RATIO)
- To study the performance of the company in long run (Solvency Ratio)
- To analyze the efficiency of the company (Activity Turnover Ratio)
- To evaluate and compare the performance of the company. (Comparative BALANCE SHEET)

SCOPE

- Scope of study is limited to the Aktinos pharma.
- The scope is to understand the financial status of the company

SOURCES OF DATA COLLECTION

The study is based on only secondary data which have been collected fromSecondary data is data collected by someone other than the actual user. It means that the information is already available, and someone analyses it. The secondary data includes magazines, newspapers, books, journals, etc. It may be either published data or unpublished data.

Published data are available in various resources including

- Public records
- Business documents
- Balance Sheet of the company
- Articles and Research papers

RESEARCH METHODOLOGY:

- **Liquidity ratio**

A liquidity ratio is a type of financial ratio used to determine a company's ability to pay its short-term debt obligations. The metric helps determine if a company can use its current, or liquid, assets to cover its current liabilities.

Types of Liquidity Ratios

1. Current Ratio

Current Ratio = Current Assets / Current Liabilities

The current ratio is the simplest liquidity ratio to calculate and interpret. Anyone can easily find the current assets and current liabilities line items on a company's balance sheet. Divide current assets by current liabilities, and you will arrive at the current ratio.

2. Quick Ratio

Quick Ratio = (Cash + Accounts Receivables + Marketable Securities) / Current Liabilities

The quick ratio is a stricter test of liquidity than the current ratio. Both are similar in the sense that current assets is the numerator, and current liabilities is the denominator.

3. Cash Ratio

Cash Ratio = (Cash + Marketable Securities) / Current Liabilities

The cash ratio takes the test of liquidity even further. This ratio only considers a company's most liquid assets – cash and marketable securities. They are the assets that are most readily available to a company to pay short-term obligations.

- **Solvency ratio**

A solvency ratio is a key metric used to measure an enterprise's ability to meet its long-term debt obligations and is used often by prospective business lenders. A solvency ratio indicates whether a company's cash flow is sufficient to meet its long-termliabilities and thus is a measure of its financial health.

- **Activity turnover ratio**
- Activity ratios are used to determine the efficiency of the organisation in utilising its assets for generating cash and revenue. It is used to check the level of investment made on

an asset and the revenue that it is generating. For this reason, the activity ratio is also known as the efficiency ratio or the more popular turnover ratio.

- The role of activity ratio or turnover ratio is in the evaluation of the efficiency of a business by careful analysis of the inventories, fixed assets and accounts receivables.

- **Comparative balance sheet**

- A comparative balance sheet is a statement that shows the financial position of an organization over different periods for which comparison is made or required. The financial position is compared with 2 or more periods to depict the trend, direction of change, analyze and take suitable actions.
- Given the usefulness of the comparative balance sheet, most of the business who have different business vertical, prepare a comparative balance sheet in comparison with other business vertical.

Tools Used:

- Focus 7 Accounting Software
- MS Excel
- Focus GST Audit

Limitations:

- The study includes all the limitations, which are inherent in the data collected from the above-mentioned sources.
- While computing the percentages and average, the figures have been approximated, and as such the totals at times may not exactly tally.
- Limitations of tools and techniques that have been applied for the analysis are also worth mentioning.
- Comparability and ambiguity of data are one of the major limitations of the study.
- As the report has prepared by taking certain assumptions like the provided data are correct as far as the corporation is concerned in fact there are certain limitations which I faced during my study are given below.
- Time factor was the only reason which didn't lead to analyze all
- the facts and figures thoroughly.
- To write exact quantitative figure was not possible in fact they were written up to four decimals for clear understanding purpose.
- The complete explanation was not possible to mention on the report because the given interpretation in this report was made by analyzing to the relevant years annual reports.
- The trend has been prepared by assuming 2007 as the base year for our research.
- Last two years data was unavailable for our research which could be the major reason to give in depth analysis on the report.

II. CHAPTER- 2

COMPANY PROFILE & INDUSTRY PROFILE

2.1 COMPANY PROFILE: -

UNIT-1-(VISAKHAPATNAM)

UNIT-2- (HYDERABAD)

International Journal of Advances in Engineering and Management (IJAEM)
Volume 4, Issue 10 Oct. 2022, pp: 492-504 www.ijaem.net ISSN: 2395-5252

Aktinos pharma
CURRENT DIRECTORS
MURALI KRISHNA MADALA
Director
13 September, 2007 - Present
SRILAKSHMI MADALA
Director
13 September, 2007 - Present
RAVISHANKER KOVI
Director
24 July, 2017 - Present
VINEETH MADALA
Director
01 August, 2022 - Present

PRODUCTS & SERVICES
Chemical and chemical products, pharmaceuticals, medicinal chemical and botanical products
Manufacturing

REGISTERED OFFICE ADDRESS
Sri Lakshmi Spaces, 5th Floor, Plot No. 7, Block No. B, Kavuri Hills, Phase- I, Madhapur Hyderabad
Telangana – 500033

Description
The company manufactures pharmaceutical products. It offers antibiotics, bulk drugs, active pharmaceutical ingredients, and formulation injection.

- Aktinos Pharma Private Limited is an unlisted private company incorporated on 13 September, 2007. It is classified as a private limited company and is located in Hyderabad, Telangana. It's authorized share capital is INR 20.00 cr and the total paid-up capital is INR 4.03 cr.
- Aktinos Pharma Private Limited's operating revenues range is INR 100 cr - 500 cr for the financial year ending on 31 March, 2021

III. CHAPTER 3

THEORETICAL FRAMEWORK
3.1 Theoretical framework
3.2 review of literature

3.1 Financial Statement Analysis

Finance is the key for everybusinesswhich plays a dominant roleonorganizationalactivities.Afirmmainlylooksfor wealthmaximizationand profit maximizationby minimizingits used funds. Sothe firm always tries to utilize these funds in such a way that, it can getmaximumprofitoutofit. Buttomanagethesefundsis achallengingtaskfortheorganization.Thefundsaregenerallyraisedthroughvarioussourceslikeshareholders,debenture,creditors,etc.Whereasthefundsareraisedbytakingdecisionsforlongtermorshortterminvestmentssothattheinvestorscangetmaximumreturnontheirinvestments.

For the above such reasons every organizationprepares their ownannual report in orderto facilitatetheir functionsin an efficientmanner.Inorderforsmoothrunningandgrowthofthebusinessfinancialstatementanalysisisvital.

For the above such reasons every organizationprepares their ownannual report in orderto facilitatetheir functionsin an efficientmanner.Inorderforsmoothrunningandgrowthofthebusinessfinancialstatementanalysisisvital.

There are3 basic financial statements are Balance sheet,Profit&lossaccount andcashflowstatement.The Balancesheetshows the financial viability or state of affairs of a business on a particulardate.

Financialstatementplaysa crucialrolein settingthe frameworkofmanagerialdecision.Itprovidesthesummaryofaccountsofabusinessenterpriseandtounderstandfinancialperformanceofacorporation,itsstockholdersandtheapplicationoffundstatements

Buttheinformationprovidedinincomestatementorfinancial results aren't sufficient to make the managerial decision directly. So thefinancial statement analysis report helps to the managementto draw aneffective,convenientandflexiblemanagerialdecision.Financialstatementanalysisofanorganizationcanbepreparedbytakingprevious few years annualreport informationwhich couldhelp to viewthegrowthanddevelopmentofthebusiness.Annualreportofanorganizationusuallycontainsthedetailinformationaboutfinancialaffairsandotherdevelopmentalactivitiesofanorganizationduringaparticularfinancialyear.

3.2 review of literature

Traian-Ovidiu and DanielTeodor (2013) and Tsuji (2014) made a detailed analysis of a company's statements to aid those who use them for investment decisions. Their studies focused on bringing together financial ratios from financial statements and market data from stock markets to see how the indices on the market are influenced by the performance of different rations on the reported statements

Abraham, 2004; Bhargava, 2017; Schönbohm, 2013). Additionally, "they also provide clues on where the management might find more resources to boost its revenue" (Mahajan and Yadav, 2016). In a case study on India's telecommunications industry, Bhargava (2017) concludes that due to the increased contribution of the telecoms industry to different economies the financial health of the industry is important to the whole economy. Therefore, there is need for measurement of this constantly to monitor the economic performance of the whole industry. The telecoms industry is highly capital intensive and investors will be interested in knowing the "the financial condition and worthiness" of the industry which is achieved through financial analysis. However, even though it is beneficial it has to be noted that the ratios isolate the assessed factors from the rest of the report; hence, precaution has to be taken when interpreting them (Abraham, 2004)

(Eversull and Rotan, 1997; 2010; Hossan and Habib, 2010; Grubman, 2010; Bhargava, 2017). For example, Al-Jafari and Al Samman (2015) investigated the determinants of profitability for industrial firms in Oman. By utilising ordinary least squares (OLS) model on seven ratios, they drew up conclusions on the relationship between profitability ratios and other calculated non-profitability ratios. They found that there is a positive significant relationship between profitability, firm size, growth, fixed assets and working capital. Additionally, they also conclude that management efficiency on these large firms gives them better profit returns.

Burja (2011) only focussed on the micro or internal environment in his regression analysis of financial performance, Allen et al. (2011) carried out an investigation on both internal and external environment to see how it impacts the profitability of the firm. This was a distinguished study as it included both internal and external factors in the regression analysis.

Susan Ward (2008), emphasis that financial analysis using ratios between key values help investors cope with the massive amount of numbers in company financial statements. For example, they can compute the percentage of net profit a company is generating on the funds it has deployed. All other things remaining the same, a company that earns a higher percentage of profit compared to other companies is a better investment option.

M Y Khan & P K Jain (2011), have explained that the Financial statements provide a summarized view of the financial position and operations of a firm. Therefore, much can relearnt about a firm from a careful examination of its financial statements as invaluable documents / performance reports. The analysis of financial statements is, thus, an important aidto financial analysis.

Kennedy and Muller (1999), has explained that "The analysis and interpretation of financial statements are an attempt to determine the significance and meaning of financial statements data so that the forecast may be made of the prospects for future earnings, ability to pay interest and debt matureness (both current and long term) and profitability and sound dividend policy.

T.S.Reddy and Y. Hari Prasad Reddy Without subjecting these to data analysis, many fallacious conclusions might be drawn concerning the financial condition of the enterprise. Financial statement analysis is undertaken by creditors, investors and other financial statement users in order to determine the credit worthiness and earning potential of an entity.

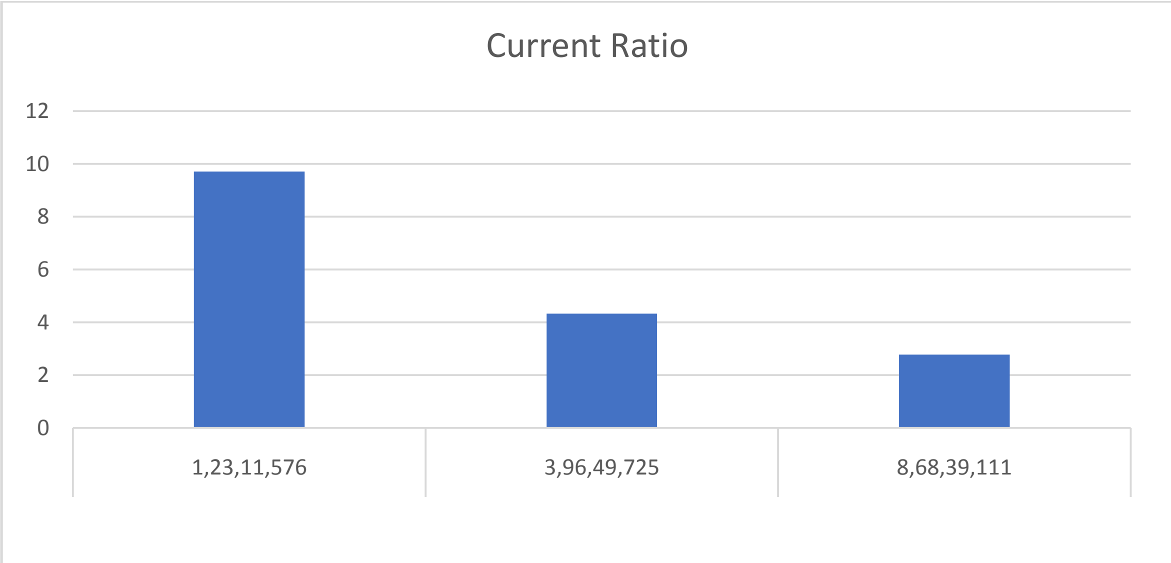
IV. CHAPTER – 4

DATA ANALYSIS AND INTREPRETATION
Liquidity Ratios:
CURRENT RATIO:

$$\text{Current ratio} = \frac{\text{Current asset}}{\text{Current liabilities}}$$

Year	Current Assets	Current Liabilities	Current Ratio
2017-18	815,972,149	1,096,010,686	0.892066718
2018-19	759,852,315	717,206,935	0.943876752
2019-20	1,228,619,636	652,339,597	0.799463067

International Journal of Advances in Engineering and Management (IJAEM)
Volume 4, Issue 10 Oct. 2022, pp: 492-504 www.ijaem.net ISSN: 2395-5252



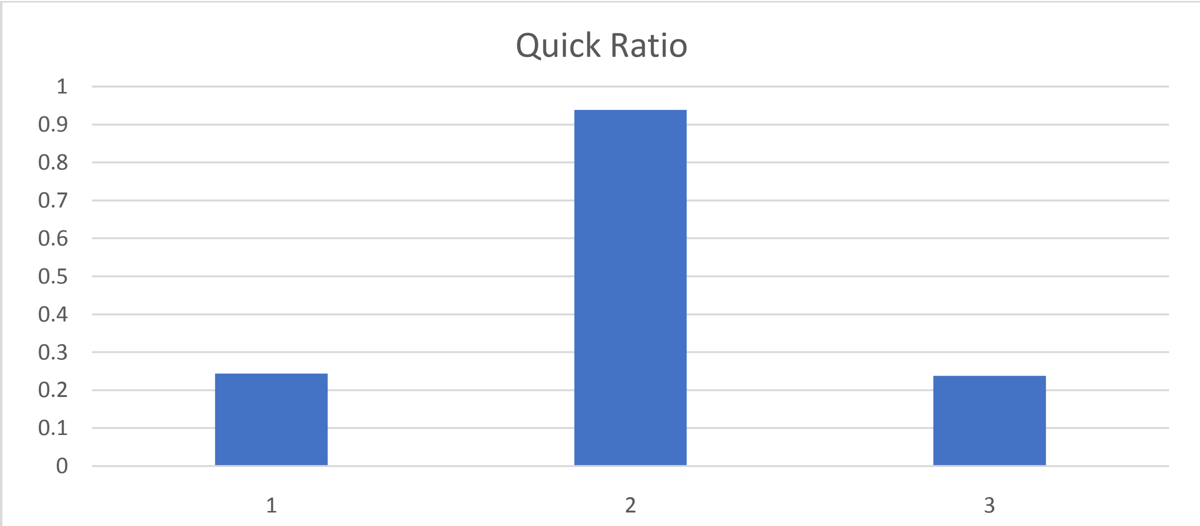
Interpretation: From the above data it can be observed that the ratio has been increased in the year 2017-18. As the ideal current ratio is 2:1 the company is high on liquidity

QUICK RATIO:

Quick Ratio= $\frac{\text{Current asset+inventory}}{\text{Current liabilities}}$

Year	**Current Assets**	**Current Liabilities**	**Quick Ratio**
2017-18	267,391,474	1,096,010,686	1.43619
2018-19	673,269,601	717,206,935	1.65914
2019-20	155,349,611	652,339,597	1.24048

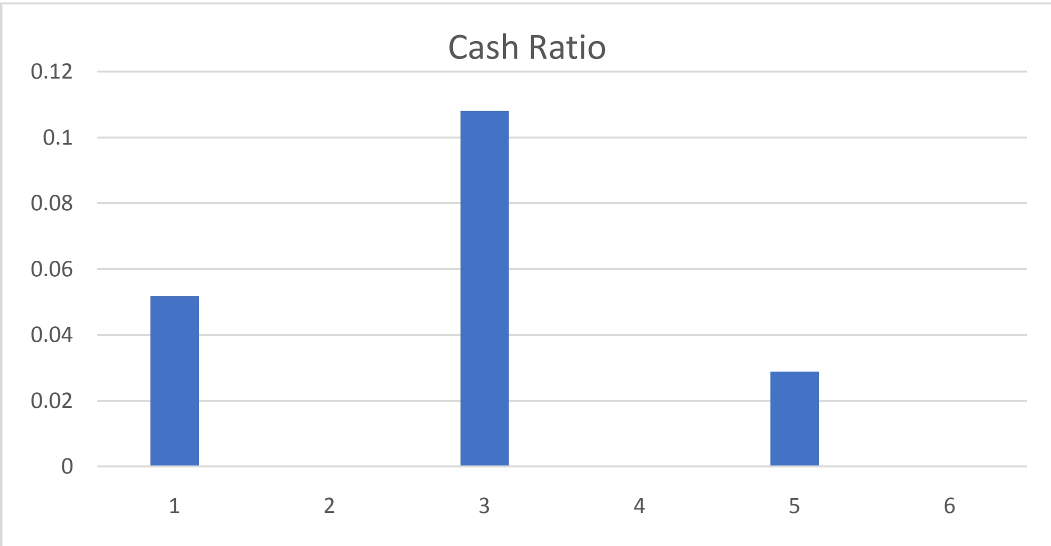
International Journal of Advances in Engineering and Management (IJAEM)
Volume 4, Issue 10 Oct. 2022, pp: 492-504 www.ijaem.net ISSN: 2395-5252



CASH RATIO:

Cash Ratio= $\frac{\text{Cash + Bank + Short-term securities}}{\text{Current liabilities}}$

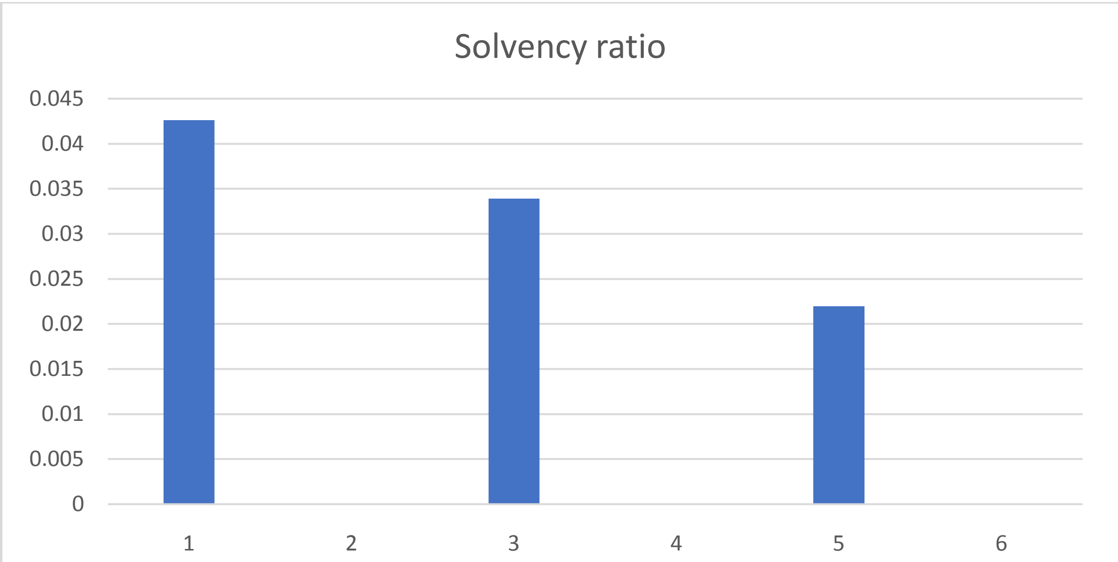
Year	Cash + Bank	Current Liabilities	Cash Ratio
2017-18	56,722,842	1,096,010,686	0.05753913
2018-19	77,487,855	717,206,935	0.10804114
2019-20	18,787,009	652,339,597	0.028799431



SOLVENCY RATIO:

Solvency ratio= $\frac{\text{Net profit + Depreciation}}{\text{Total liabilities}}$

Year	Net profit + Depreciation	Total liabilities	Solvency ratio
2017-18	77,487,855	1,817,524,715	0.042633728
2018-19	46,162,264	1,361,232,102	0.033912118
2019-20	27,778,063	1,263,756,137	0.021980556

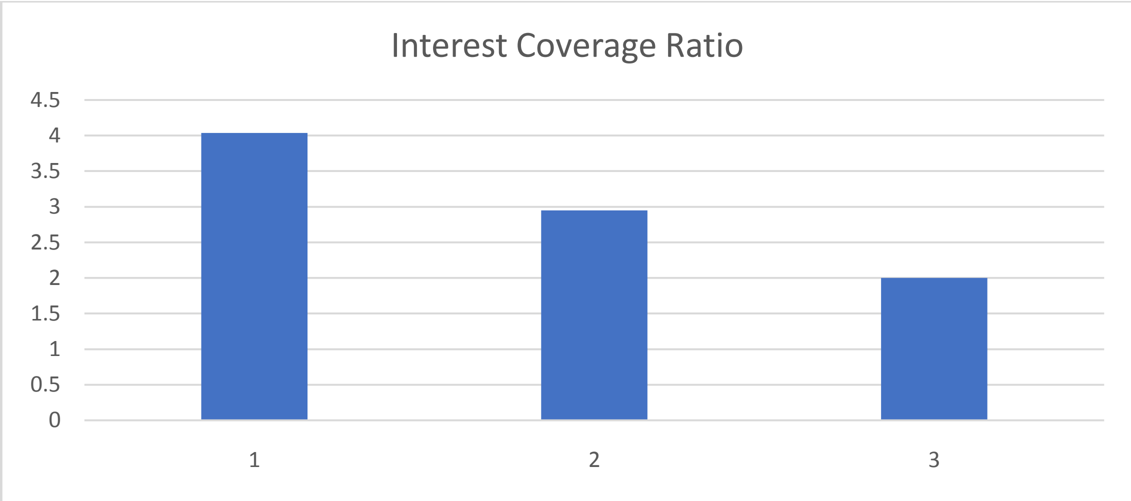


INTEREST COVERAGE RATIO:

Interest Coverage Ratio= $\frac{\text{EBIT}}{\text{Interest Expenses}}$

Year	EBIT	Interest Expenses	Interest Coverage Ratio
2017-18	26,176,924	4,751,717	4.03558368
2018-19	46,162,264	3,477,780	2.95007875
2019-20	159,505,754	(2,978,097	1.99961839

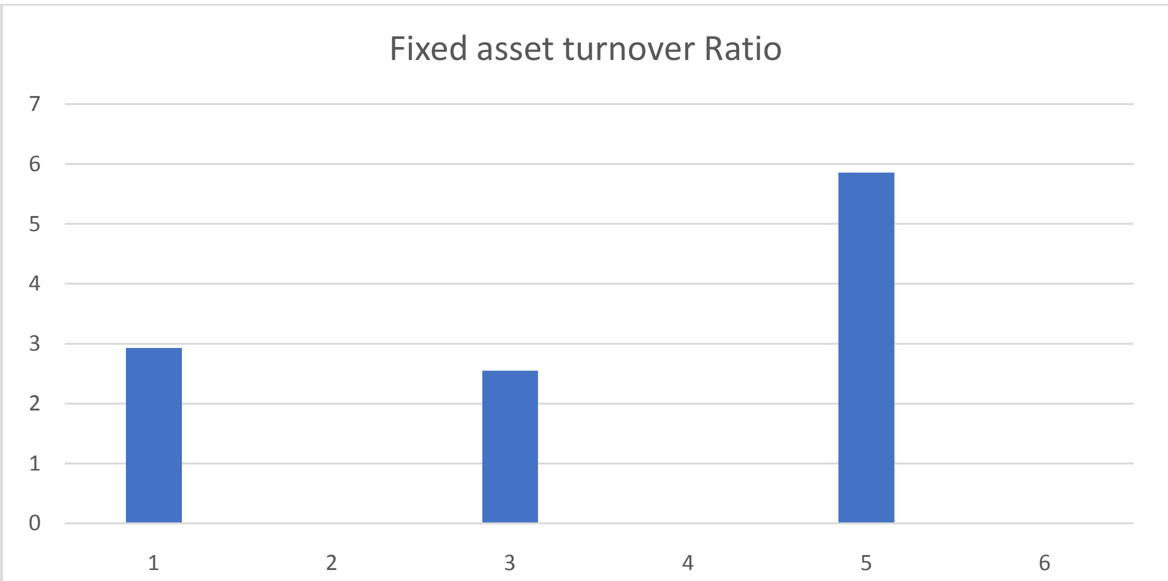
International Journal of Advances in Engineering and Management (IJAEM)
Volume 4, Issue 10 Oct. 2022, pp: 492-504 www.ijaem.net ISSN: 2395-5252



FIXED ASSET TURNOVER RATIO:

Fixed turnover Ratio= $\frac{\text{COGS or Sales}}{\text{Fixed assets}}$

Year	COGS	Fixed asset	Fixed asset turnover Ratio
2017-18	1,667,102,546	568,966,130	2.930055865
2018-19	1,483,571,059	581,990,157	2.549134279
2019-20	1,421,048,972	242,676,890	5.855724342

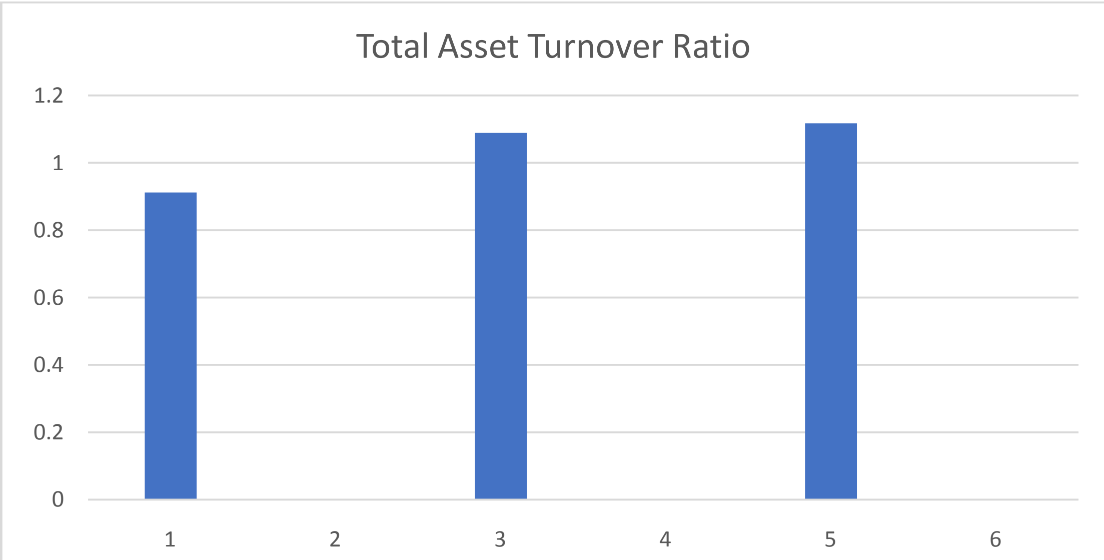


International Journal of Advances in Engineering and Management (IJAEM)
Volume 4, Issue 10 Oct. 2022, pp: 492-504 www.ijaem.net ISSN: 2395-5252

TOTAL ASSET TURNOVER RATIO:

$$\text{Total Asset turnover Ratio} = \frac{\text{Net sales}}{\text{Total assets}}$$

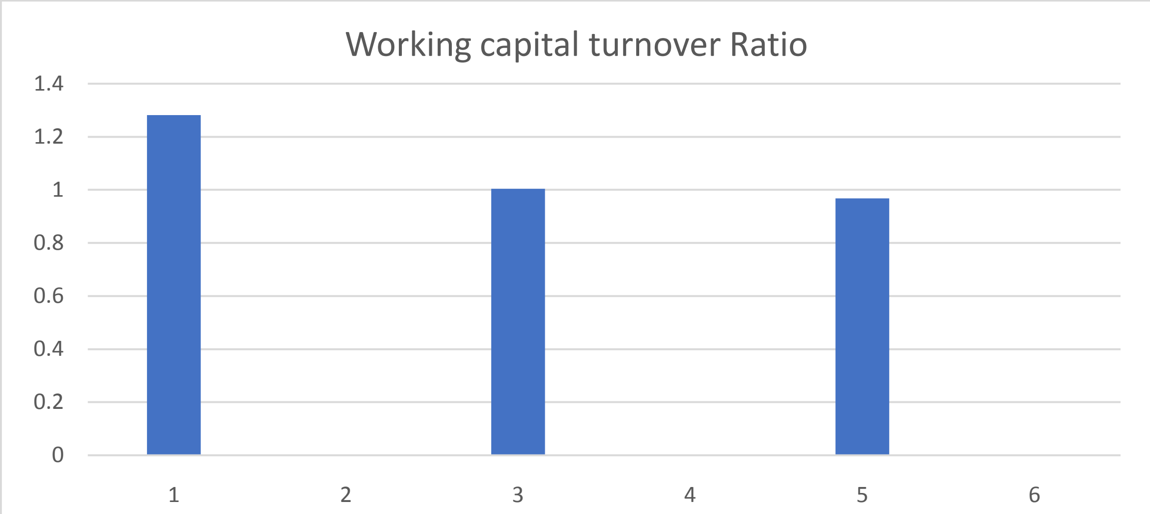
Year	Net Sales	Total Assets	Total Asset Turnover Ratio
2017-18	1,658,226,441	1,817,524,715	0.912354274
2018-19	1,482,202,866	1,361,232,102	1.08886858
2019-20	1,412,397,461	1,263,756,137	1.117618676



WORKING CAPITAL TURNOVER RATIO:

$$\text{Working capital turnover Ratio} = \frac{\text{COGS}}{\text{Working capital}}$$

Year	COGS	Working capital	Working capital turnover Ratio
2017-18	1,667,102,546	132,608,950	1.281375185
2018-19	1,483,571,059	1,477,059,250	1.004408631
2019-20	1,421,048,972	1,468,311,746	0.967811485



GROSS PROFIT RATIO:

Gross profit ratio= $\frac{\text{Gross profit}}{\text{Net sales}}$ *100

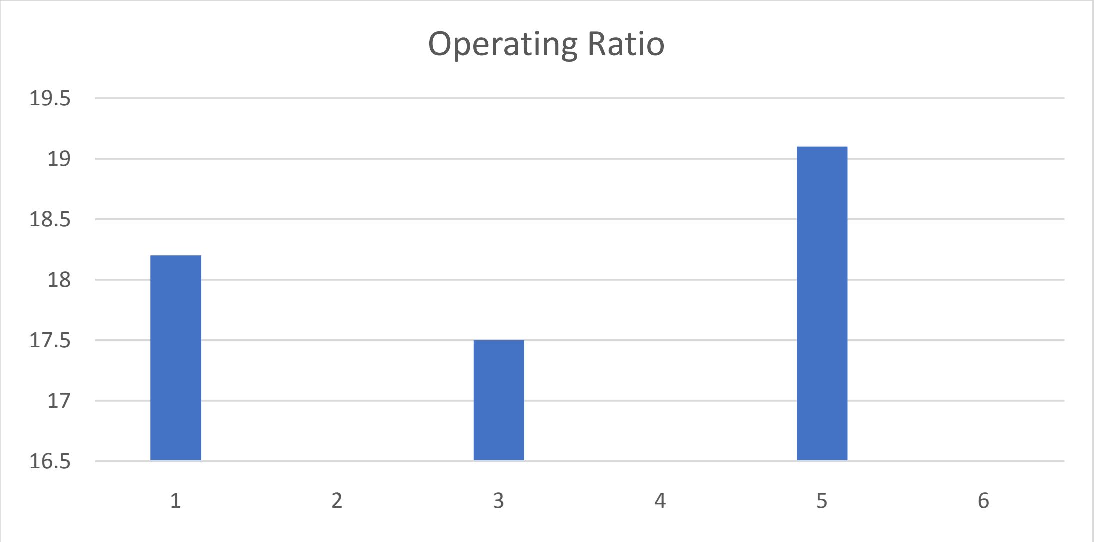
Year	Gross profit	Net sales	Gross profit ratio
2017-18	267,391,474	1,658,226,441	16.1%
2018-19	673,269,601	1,482,202,866	45.4%
2019-20	155,349,611	1,412,397,461	10.9%

International Journal of Advances in Engineering and Management (IJAEM)
Volume 4, Issue 10 Oct. 2022, pp: 492-504 www.ijaem.net ISSN: 2395-5252

OPERATING RATIO:

Operating Ratio= $\frac{\text{Total Operating cost}}{\text{Net sales}}$ *100

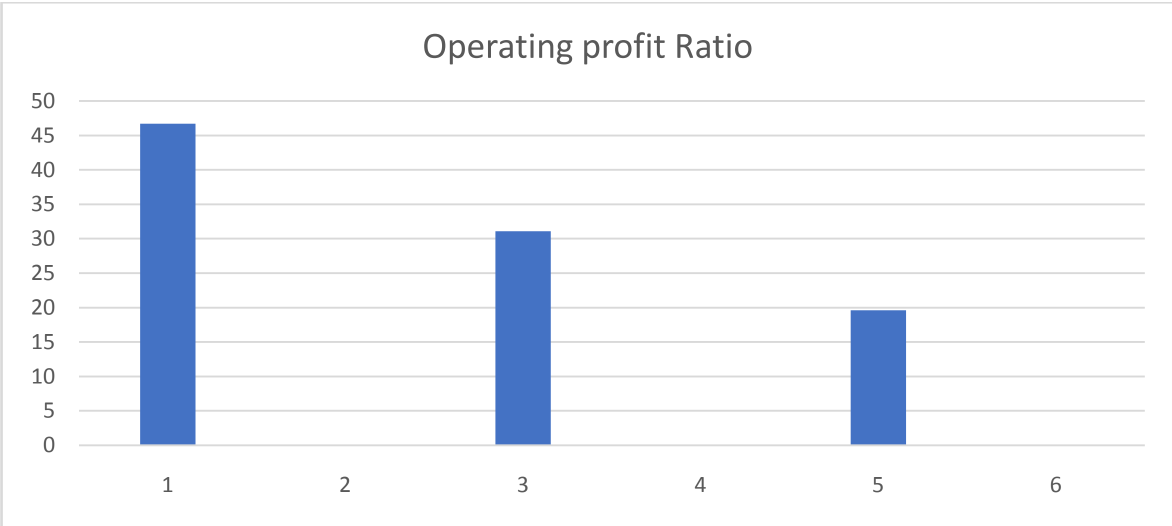
Year	Operating cost	Net Sales	Operating Ratio
2017-18	3,019,142,889	1,658,226,441	18.2%
2018-19	2,604,876,451	1,482,202,866	17.5%
2019-20	2,696,510,911	1,412,397,461	19.1%



OPERATING PROFIT RATIO:

Operating profit Ratio= $\frac{\text{Net operating profit}}{\text{Net sales}}$ *100

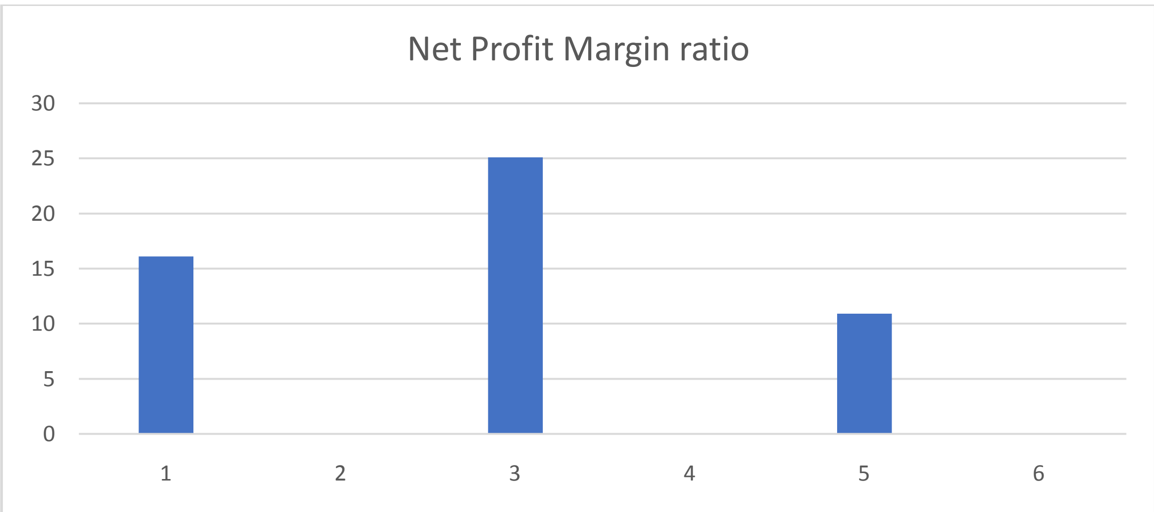
Year	Net operating profit	Net sales	Operating profit Ratio
2017-18	77,487,855	1,658,226,441	46.7%
2018-19	46,162,264	1,482,202,866	31.1%
2019-20	27,778,063	1,412,397,461	19.6%



NET PROFIT MARGIN RATIO:

Net profit Ratio = $\frac{\text{Net profit}}{\text{Net sales}}$ *100

Year	Net Profit	Net Sales	Net Profit Margin ratio
2017-18	267,391,474	1,658,226,441	16.1%
2018-19	373,269,601	1,482,202,866	25.1%
2019-20	155,349,611	1,412,397,461	10.9%



International Journal of Advances in Engineering and Management (IJAEM)
Volume 4, Issue 10 Oct. 2022, pp: 492-504 www.ijaem.net ISSN: 2395-5252

V. CHAPTER -5

FINDINGS, CONCLUSION & SUGGESTIONS

Suggestions:

- The company should use its current asset effectively in order to get maximum revenue out of it.
- Less practical knowledge about day-to-day mining activities for which it trusts on the contractors.
- So proper experience may lead to minimize the cost of production.
- Regular effort should be made to increase sales volume to generate more revenue.
- In order for effective mange of working capital management reserve and surplus should be used properly.
- Technological up gradation must be made in order to increase production volume

Findings

- The net profit ratio is showing a good position of profitability of the company.
- Current ratio fluctuates over the year.
- Quick ratio fluctuates over the years.
- The Company should improve its inefficient inventory management and should also increase its sales.
- The company must imply efficient working capital management.
- Total assets turnover ratio fluctuates over the years.

Limitations

- The study includes all the limitations, which are inherent in the data collected from the above mentioned sources.
- While computing the percentages and average, the figures have been approximated, and as such the totals at times may not exactly tally.
- Limitations of tools and techniques that have been applied for the analysis are also worth mentioning.
- Comparability and ambiguity of data are one of the major limitations of the stud

Conclusion

- On the basis of above discussion, it is safe to conclude that aktios Pharmaceuticals is the most profitable for its shareholders while aktinos Pharma is the least profitable on the basis of Return on Equity.
- Aktinos Pharma is not very unstable yet and can recover if they focus on increasing the Operating Profit Margin by increasing the revenue relative to their operating expenses.
- The financial position of the is satisfactory.

BIBLIOGRAPHY: -

[1]. Books and Journals Referred:
[2]. LM Pandey – “Financial. Management” - Vikas publishing house pvt ltd – Eighth edition;
[3]. R.P. Rustagi – “Financial management – Second revised edition.
[4]. John J, Wild (Dec 2009), “Financial statement analysis”.
[5]. P. Premchandbabu (2008), “Financial accounting and analysis”, Himalaya publishing house.
[6]. Stice (2011), “Financial accounting reporting and analysis”, Cengage learning.

INTERNET SOURCES:
[7]. http://www.accountingtools.com/financial-statement-analysis
[8]. http://www.investopedia.com/terms/f/financial-statement-analysis.asp
[9]. https://www.sec.gov/investor/pubs/begfinstmtguide.ht
[10]. https://www.accountingformanagement.org/what-is-financial-statement-analysis