

## **A Study on Analytical Procedures of Muthoot Finance Limited**

**AUTHOR:Dr. (Mrs.). G.Lakshmi**, M.Com.B.Ed., M.Phil., Ph.D.,Assistant Professor,  
department of B. Com PA, PSGR Krishnammal College for Women, Coimbatore

**CO-AUTHOR: Aparna.G, Ezhilarasie.G, Delisha Ebin Jenitha.R, IIIB.**  
Com(PA),PSGRKrishnammal College for Women, Coimbatore.

### **ABSTRACT:**

*Non-Banking Financial companies are registered under the Companies Act 1956.It plays a prominent role in providing various services according to the needs of the customer. This study is done to understand the impact of the non-banking financial companies in the economy. It also discloses the importance of these services in the development of the country. This paper studies the Analytical procedures of the Muthoot finance which comes under the Non-Banking Financial Companies and mainly provides gold loan facilities to the public. It is one of the biggest companies in providing gold loans to the public in the world. Muthoot Finance makes a maximum contribution towards the economic development. The analysis is been made with the help of the profit and loss account and the balance sheet of the Muthoot finance limited taken from the last five years. This tool shows the financial position of the firm and plan accordingly.*

**KEYWORDS:** *Muthoot finance, Analytical procedures, NBFC, Economic development*

### **INTRODUCTION**

Non-Banking Financial Company is a company which provides loans and advances facilities to the public. It acquires stocks and shares issued by the government. It also provides some marketable securities like chit business, hire purchase, leasing, insurance business. It manages the portfolio of the shares and stocks. It acts as a last procedure for the borrowings. NBFC are there when banks are not available. It is regulated by the RBI. The main principle of non-banking financial company is that it accepts deposits as a whole or on an installment basis. Companies like Muthoot Finance comes under the Non-Banking Financial Companies which has been started to render services like gold loan, money transfers, travel and tourism. It has been originated from the state of Kerala and at present it has branches in many countries like United Kingdom, United States of America, and United Arab Emirates. The motive of the company is to provide loans to the small traders, farmers,

vendors. The stocks of the company are listed under the Bombay stock exchange. Muthoot Finance have nearly 4000 branches over India and in which 600 branches are located in the Tamil Nadu. The functions of Muthoot Finance will be faster as compared to the commercial banks. In this company customers are allowed to watch all the procedures on themselves. It is also one of the companies which is transparent and safe to the public. It is very much useful to preserve the unused golds in the locker.

## **Ratio analysis- an overview**

Ratio analysis shows the significance of the relationship between various items of the balance sheet and the statement of profit or loss of a concern. The accounting ratios show the help in assessing the profitability, solvency and efficiency of the enterprise by the usage of various ratios.

## **Objective**

- The objective of this paper is to analyse the liquidity and profitability of Muthoot Finance Limited by usage of Ratio Analysis from 2014-2015 to 2018-2019

## **Research Methodology**

This study is the analytical interpretation of the financial statement of Muthoot Finance Limited. The data used to analyse is Secondary data that includes financial statements such as Profit and Loss statement, Balance sheet etc. of Muthoot finance limited.

## **Review of Literature**

- **Dr.H.R.Kaushal (2016)** has suggested that NBFCs are the perfect or even better alternatives to the conventional banks for meeting various financial requirements of a financial enterprise. They offer quick and efficient services without working one to go through the complex rigmarole of conventional banking formalities. However, to service and to constantly grow. NBFCs have to focus on their core strengths while improving on weakness, with the opening of financial sector to overseas investors, there will be scope of tie-up for requisite expertise and technology transfers. NBFCs having professional expertise and strong infrastructural base can take advantage of this opportunity.

- **Dr. B. Shivaraj and etal (2015)** have evaluated that Muthoot finance is a “systemically important non–deposit taking NBFC” headquartered in the Southern Indian state of Kerala. The company issue secured non–convertible debentures called “Muthoot gold bonds” on a private placement basis. The income from the issue of gold bonds is significantly contributed to the funding of their gold loan lending services.. It also relies on bank loans and subordinated debt instruments as its sources of funds. The public prefers to enjoy the benefits from the company as they offer wider range of services. These companies are limited in size but their scope of business is wider. There are unavoidable obstacles that come their way affecting the effectiveness of the company. Therefore, there should be necessary reforms needed to overcome the challenges to cope up the consistently changing competitive business environment.

## ANALYSIS AND INTERPRETATION

**TABLENO.1-Current Ratio**

(Rs. in CRORES)

Year	Total current assets	Total current liabilities	Current ratio = current assets/ current liabilities
2015	26333.33	13764.63	=26333.33/13764.63 = <b>1.91</b>
2016	26570.83	15026.16	=26570.83/15026.16 = <b>1.77</b>
2017	30116.38	19292.94	=30116.38/19292.94 = <b>1.56</b>
2018	30529.31	1457.78	=30529.31/1457.78 = <b>20.94</b>
2019	37774.96	1139.78	=37774.96/1139.78 = <b>33.14</b>
<b>Average</b>	<b>30264.96</b>	<b>10136.26</b>	<b>2.99</b>

Source: [www.moneycontrol.com](http://www.moneycontrol.com)

### Interpretation

Table.no.1 shows the current ratio of the company. The current assets show an increasing trend throughout the financial years whereas the current liability has increased initially and shows a decreasing trend in the final years. The effect of the increase in the current assets and current liabilities has resulted in the decrease of the current ratio from 2015 to 2017. In 2018, the current assets have been increasing but the current liabilities are decreasing, thus the current ratio is increased by 13.42 times than that of 2017 and furtherly increased.

**TABLENO.2- Absolute Cash Ratio**

(Rs. in CRORES)

Year	Total absolute liquid assets	Total current liabilities	Absolute liquid ratio = absolute liquid assets/ current liabilities
2015	1736.62	13764.63	=1736.62/13764.63 = <b>0.1262</b>
2016	679.11	15026.16	=679.11/15026.16 = <b>0.045</b>
2017	1534.05	19292.94	=1534.05/19292.94 = <b>0.0795</b>
2018	486.99	1457.78	=486.99/1457.78 = <b>0.3341</b>
2019	1735.51	1139.78	=1735.51/1139.78 = <b>1.5227</b>
<b>average</b>	<b>6172.28</b>	<b>10136.26</b>	<b>0.61</b>

Source: [www.moneycontrol.com](http://www.moneycontrol.com)

## Interpretation

Absolute liquid assets consist of cash and cash equivalents and Bank balances. The absolute liquid assets show a mixed trend as it is increasing and decreasing over the years. Therefore, the absolute liquid ratio also shows a mixed trend. In 2019, the absolute liquid asset has been increased and the current liability is decreased therefore the ratio is increased by 4.5 times than the previous year.

**TABLE NO. 3- Operating Profit Ratio**

(Rs. in CRORES)

Year	Operating profit	Revenue from operations	Operating profit ratio= operating profit / revenue from operations
2015	1027.86	4262.26	1027.86/4262.26 = <b>24.12</b>
2016	1316.75	4800.67	1316.75/4800.67 = <b>27.43</b>
2017	1920.98	5638.88	1920.98/5638.88 = <b>34.07</b>
2018	2844.69	6266.52	2844.69/6266.52 = <b>45.39</b>
2019	3076.82	6878.21	3076.82/6878.21 = <b>44.73</b>

Source: [www.moneycontrol.com](http://www.moneycontrol.com)

## Interpretation

Operating profit is derived by deducting the total expenses from total revenue. The Operating profit has an increasing trend throughout the year therefore, the Operating Profit ratio is increased by 1.85 times from March 2015 to March 2019.

**TABLE NO. 4- Net Profit Ratio**

(Rs. in CRORES)

Year	Net profit or loss of the period	Revenue from operations	Net profit ratio = net profit or loss for the period/ revenue from operations
2015	670.52	4262.26	$670.52/4262.26$ =15.73
2016	809.55	4800.67	$809.55/4800.67$ =16.86
2017	1179.83	5638.88	$1179.83/5638.88$ =20.92
2018	1777.56	6266.52	$1777.56/6266.52$ =28.36
2019	1972.14	6878.21	$1972.14/6878.21$ =28.67

Source: [www.moneycontrol.com](http://www.moneycontrol.com)

## Interpretation

Since the net profit of the firm and the revenue from operation shows an increasing trend the Net Profit Ratio also shows an increasing trend. The ratio has increased by 1.82 times from March 2015 to March 2019.

## Conclusion

From the above analyses, we have concluded that the liquidity position of the firm is strong as the current liability of the firm has been decreasing throughout the studied years. In the analysis of solvency, the ideal solvency position of the firm is 2:1., The current ratio of the Muthoot finance limited is 3:1. Therefore, the short-term solvency position of the firm is very strong. From the profitability ratios made it could be analyzed that the profit has been increasing from year to year. So, on the nutshell, the performance of Muthoot Finance Limited is effective and efficient

## **Bibliography**

[www.epratrust.com](http://www.epratrust.com)

[www.wikipedia.com](http://www.wikipedia.com)

[www.google.co.in](http://www.google.co.in)

[www.moneycontrol.com](http://www.moneycontrol.com)

[www.learnfinance.com](http://www.learnfinance.com)

Dr.H.R.Kaushal, “Impact on NBFCs in Indian economic growth”, EPRA international Journal of Economic and Business Review, Vol-4 Issue-3, 2016

Dr. B. Shivaraj , Deepashree, “ A study on gold loan in Muthoot Finance Limited”, Indian research Journal, Vol-2 Issue-1, 2015