

A PROJECT REPORT ON RATIO ANALYSIS AT MUTHOOT FINCORP

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ABSTRACT

This paper concentrates on the ratio analysis of ‘**Muthoot Fincorp**’ to evaluate the overall financial performance of the company. The main aim of this research is to analyze the liquidity position, profitability efficiency, solvency position, operational efficiency, and overall financial stability of the company through various key financial ratios calculated from the published financial statements of the company.

The research is conducted using the secondary data obtained from the annual reports and other publicly available financial statements of the company for a number of years. Various ratios, including liquidity ratios, profitability ratios, solvency ratios, and activity ratios, have been calculated and analyzed to understand the trends and performances of the company. The comparative and trend analysis techniques have been applied to determine the strengths and weaknesses of the company and areas that require improvement. The results of this research help to understand the company’s ability to pay off its short-term financial obligations, earn profits, manage assets effectively, and develop in the long term. The analysis also explains the linkage between financial management and overall corporate performance. This research concludes by providing recommendations to improve financial efficiency and ensure sustainable development.

This study makes a contribution to a better understanding of financial performance evaluation through ratio analysis and can be used as a reference by academicians, investors, and financial analysts.

Keywords: Ratio Analysis, Financial Performance, Liquidity, Profitability, Solvency, Operational Efficiency, Financial Stability

I. INTRODUCTION

Ratio analysis is a basic concept of financial statement analysis that helps in analyzing and assessing the financial performance and position of an organization by studying the relationship between different financial elements. Ratio analysis helps in a systematic study and interpretation of the financial performance of an organization in terms of liquidity, profitability, solvency, and efficiency.

Ratio analysis helps in the interpretation of financial ratios calculated from the balance sheet and income statement of an organization. Ratio analysis helps in the conversion of raw financial information into useful indicators that help in the interpretation of a company’s ability to pay off its short-term financial obligations, earn profits, manage assets efficiently, and achieve long-term growth. Additionally, ratio analysis helps in making comparisons between different accounting periods and industry standards.

IMPORTANCE OF RATIO ANALYSIS

- ▶ Ratio analysis helps in understanding the overall financial performance and position of a company.
- ▶ It assists in identifying the liquidity and solvency status of the company, thereby evaluating its ability to meet short-term and long-term obligations.
- ▶ It supports effective financial planning and capital budgeting decisions by analyzing past and present financial data.
- ▶ It enables stakeholders and management to make informed and rational decisions regarding investment, financing, and operational activities.

► It ensures proper evaluation of asset utilization and operational efficiency, contributing to improved financial management and sustainable growth.

OBJECTIVES OF RATIO ANALYSIS

1. To analyze the liquidity position.
2. To assess profitability efficiency.
3. To examine solvency and long-term financial stability.
4. To evaluate operational efficiency.
5. To evaluate the financial performance of the company

TYPES OF RATIOS

1. Liquidity Ratios
2. profitability Ratios
3. Solvency Ratios
4. Activity Ratios /Efficiency Ratios

II. REVIEW OF LITERATURE

SHARMA & GUPTHA (2021) A study by Sharma on chemical industries in India revealed that ratios analysis plays a vital role in assessing profitability and liquidity. Their research suggested that financial performance varies significantly depending on the company's operational efficiency and financial strategies..

REDDY & KUMAR (2022) Reddy and Kumar examined the impact of receivables management on financial stability in lending institutions. Their research found that effective receivables control improves cash flow, reduces default risk, and strengthens overall financial stability. The study highlighted that proper credit monitoring enhances liquidity management and reduces financial stress.

PATEL (2023) Patel stated that maintaining an optimal level of working capital is essential to avoid both over-investment and under-investment problems. The study emphasized that excessive working capital may reduce profitability, while inadequate working capital can affect liquidity and operational continuity. The research suggested that balanced working capital management improves financial efficiency.

JAIN & VERMA (2024) Jain and Verma highlighted the growing importance of digital financial systems in improving cash flow efficiency within financial institutions. Their findings indicated that digital tools enhance transaction speed, monitoring accuracy, and financial transparency. The study concluded that technological integration contributes significantly to better liquidity control and operational performance.

SCOPE OF THE STUDY

The study focuses on analyzing the financial statements of Muthoot Finance Ltd., Coimbatore, over a five-year period from 2020 to 2025. The analysis is confined to secondary data derived from the company's published income statements and balance sheets. The study primarily evaluates the financial performance, liquidity position, solvency status, and profitability trends during the selected period. By examining key financial ratios, the research provides insights into the company's financial stability and overall profitability, thereby assisting in understanding its financial standing within the specified timeframe.

III. RESEARCH METHODOLOGY

Research methodology is a process of collecting, analyzing, and interpreting the data to understand a concept or performance.

Research type: Analytical

Data source: Secondary data

Primary data:

The data is collected from the internal interviews and orally to discussions with officials. The data is collected while speaking and listening of words.

Secondary data:

The data which is collected from already existed or published sources. The secondary data collected from financial statement, annual reports, profit and loss account. balance sheets etc.

Research tools:

- Liquidity ratio
- profitability ratio
- solvency ratio
- Efficiency ratio

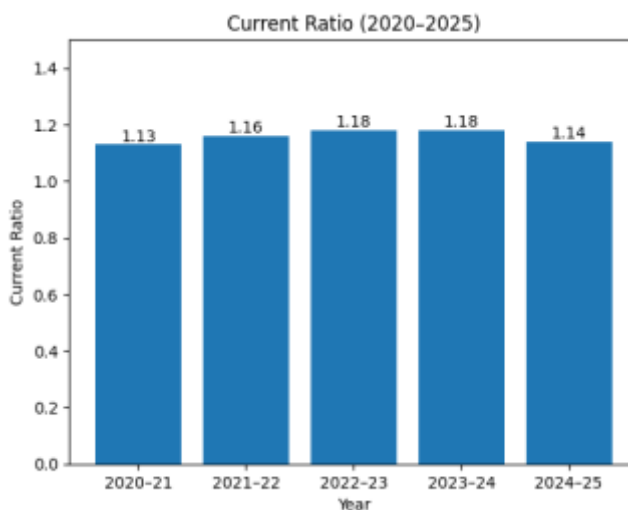
Period of study: The period of study is 5 financial years.

IV. DATA ANALYSIS AND INTERPRETATION

1.Liquidity Ratio

A.Current ratio

Years	Current Assets (₹ Lakhs)	Current Liabilities (₹ Lakhs)	Current Ratio
2020-2021	21,61,803	19,13,950	1.13
2021-2022	22,59,000	19,44,428	1.16
2022-2023	23,46,000	19,80,587	1.18
2023-2024	26,30,000	22,32,460	1.18
2024-2025	32,50,000	28,49,898	1.14

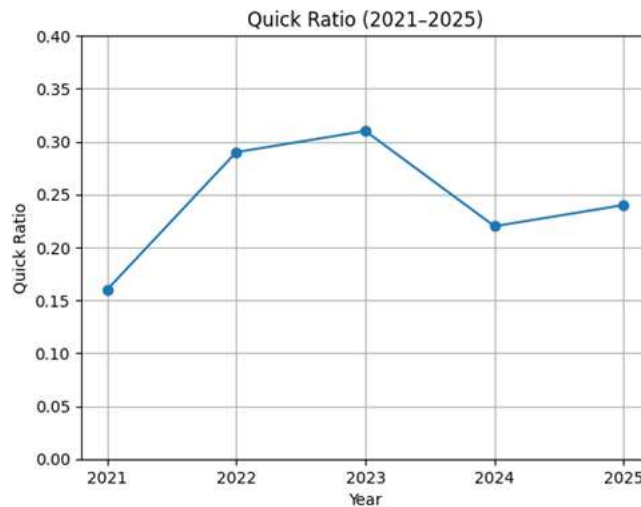


Interpretation; The current ratio remained above 1 throughout 2020–2025, indicating that the company has sufficient current assets to meet its short-term obligations. The ratio improved up to 2023–24 and slightly declined in 2024–25, showing stable but carefully managed liquidity

B. Quick ratio

Years	Current Assets (₹ Lakhs)	Loans (₹ Lakhs)	Quick Assets (CA –	Current Liabilities (₹ Lakhs)	Quick Ratio
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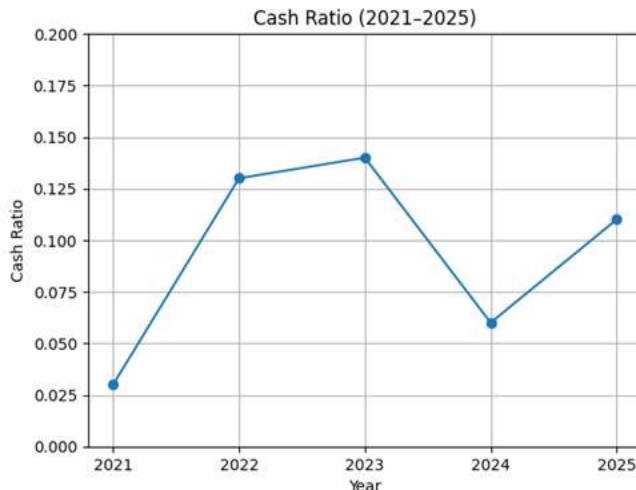
			Loans)		
2020-2021	21,61,803	18,45,298	3,16,505	19,13,950	0.16
2021-2022	22,59,000	17,01,521	5,57,479	19,44,428	0.29
2022-2023	23,46,000	17,25,053	6,20,947	19,80,587	0.31
2023-2024	26,30,000	21,41,051	4,88,949	22,32,460	0.22
2024-2025	32,50,000	25,75,222	6,74,778	28,49,898	0.24



Interpretation : The quick ratio improved from 0.16 in 2020–21 to 0.31 in 2022–23, indicating better short-term liquidity excluding loans. However, it declined in 2023–24 and slightly recovered in 2024–25, showing fluctuations due to the high proportion of loans in current assets, which is typical for an NBFC.

3. Cash Ratio

Years	Cash & Bank (₹ Lakhs)	Current Liabilities (₹ Lakhs)	Cash Ratio
2020-2021	57,243	19,13,950	0.03
2021-2022	2,47,070	19,44,428	0.13
2022-2023	2,70,338	19,80,587	0.14
2023-2024	1,41,715	22,32,460	0.06
2024-2025	3,23,739	28,49,898	0.11

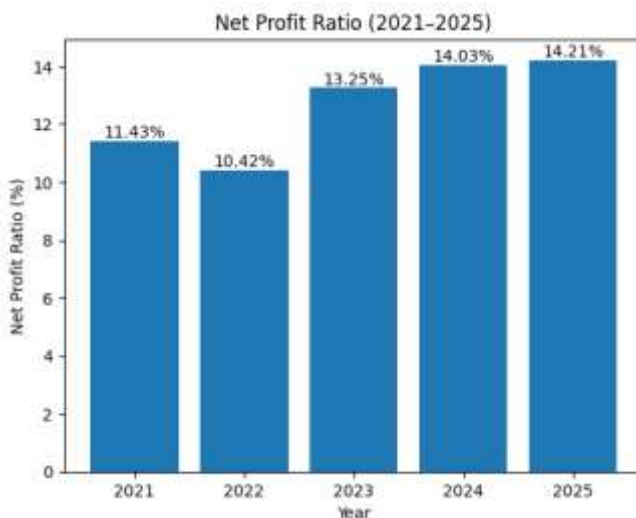


Interpretation : The cash ratio increased significantly from 0.03 in 2020–21 to 0.14 in 2022–23, indicating improved immediate liquidity. Although it declined in 2023–24, it recovered in 2024–25, showing moderate cash management while maintaining sufficient liquidity typical for an NBFC.

2. Profitability Ratio

A. Net Profit Ratio

Years	Net Profit (₹ Lakhs)	Total Revenue (₹ Lakhs)	Net Profit Ratio
2020-2021	36,954	3,23,298	11.43%
2021-2022	34,685	3,32,792	10.42%
2022-2023	45,981	3,46,983	13.25%
2023-2024	56,281	4,01,096	14.03%
2024-2025	78,715	5,53,962	14.21%



Interpretation : The net profit ratio declined slightly in 2021–22 but showed continuous improvement

from 2022–23 onwards, reaching 14.21% in 2024–25. This indicates improved profitability, better cost control, and strong revenue growth over the five-year period

B. Operating Profit Ratio

Years	Net Profit (₹ Lakhs)	Finance Cost (₹ Lakhs)	EBIT (₹ Lakhs)	Revenue (₹ Lakhs)	Operating Profit Ratio
2020-2021	36,954	1,66,698	2,03,652	3,23,298	62.99%
2021-2022	34,685	1,63,548	1,98,233	3,32,792	59.57%
2022-2023	45,981	1,57,133	2,03,114	3,46,983	58.54%
2023-2024	56,281	1,80,502	2,36,783	4,01,096	59.03%
2024-2025	78,715	2,33,515	3,12,230	5,53,962	56.36%

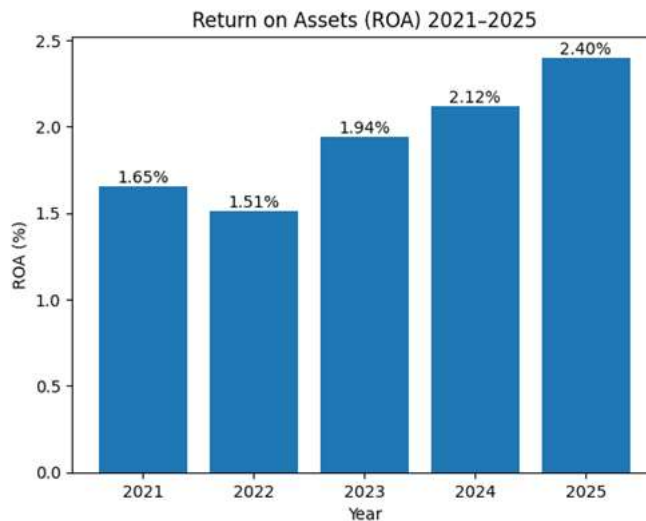


Interpretation : The operating profit ratio declined from 62.99% in 2020–21 to 56.36% in 2024–25, indicating rising finance costs and operating expenses. However, the ratio remains strong above 55%, reflecting stable operating efficiency over the five-year period

B. Return On Asset

Years	Net Profit (₹ Lakhs)	Total Assets (₹ Lakhs)	ROA (%)
2020-2021	36,954	22,34,028	1.65%
2021-2022	34,685	22,90,377	1.51%
2022-2023	45,981	23,69,890	1.94%
2023-2024	56,281	26,59,220	2.12%

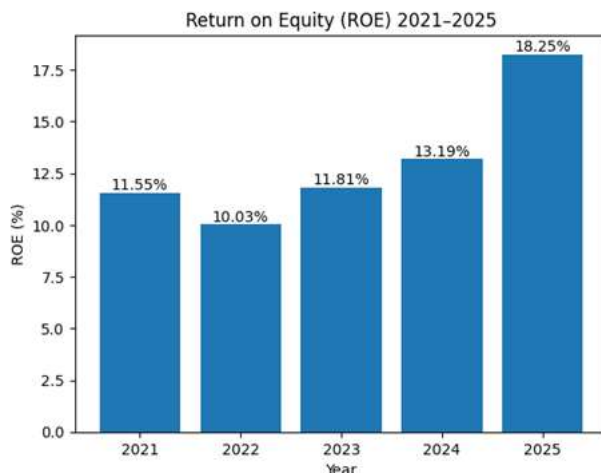
2024-2025	78,715	32,81,144	2.40%
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Interpretation : The Return on Assets (ROA) declined slightly in 2021–22 but showed continuous improvement from 2022–23 onwards, reaching 2.40% in 2024–25. This indicates better asset utilization and improved efficiency in generating profit from total assets over the five-year period.

C. Return On Equity

Years	Net Profit (₹ Lakhs)	Total Equity (₹ Lakhs)	ROE (%)
2020-2021	36,954	3,20,078	11.55%
2021-2022	34,685	3,45,949	10.03%
2022-2023	45,981	3,89,303	11.81%
2023-2024	56,281	4,26,760	13.19%
2024-2025	78,715	4,31,246	18.25%

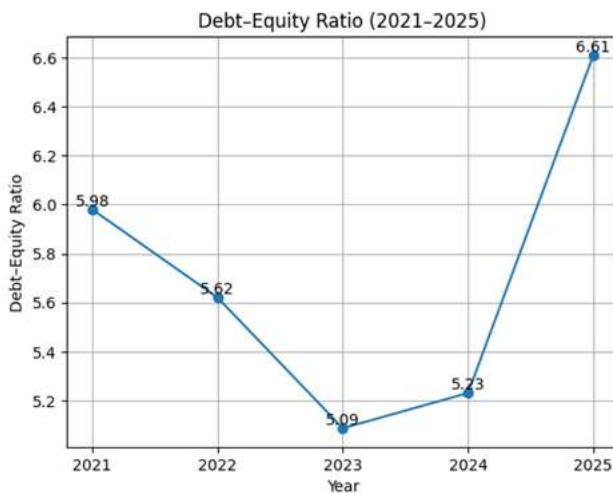


Interpretation : The Return on Equity (ROE) declined slightly in 2021–22 but increased steadily from 2022–23 onwards, reaching 18.25% in 2024–25. This shows improved profitability and efficient utilization of shareholders’ funds, indicating strong returns to investors over the five-year period.

3.Solvency Ratio

A.Debt Equity Ratio

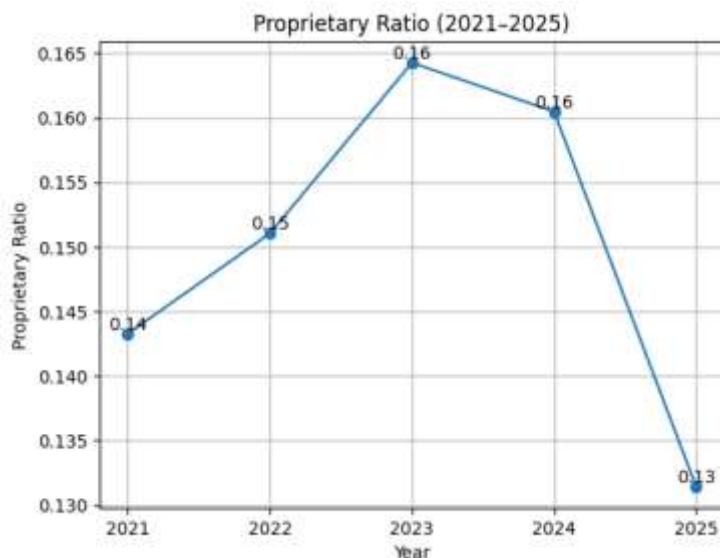
Years	Total Liabilities (₹ Lakhs)	Total Equity (₹ Lakhs)	Debt–Equity Ratio
2020-2021	19,13,950	3,20,078	5.98
2021-2022	19,44,428	3,45,949	5.62
2022-2023	19,80,587	3,89,303	5.09
2023-2024	22,32,460	4,26,760	5.23
2024-2025	28,49,898	4,31,246	6.61



Interpretation : The Debt–Equity ratio declined from 5.98 in 2020–21 to 5.09 in 2022–23, indicating reduced leverage during that period. However, it increased to 6.61 in 2024–25, showing higher dependence on borrowed funds for expansion, which increases financial risk.

B. proprietary Ratio

Years	Total Equity (₹ Lakhs)	Total Assets (₹ Lakhs)	Proprietary Ratio
2020-2021	3,20,078	22,34,028	0.14
2021-2022	3,45,949	22,90,377	0.15
2022-2023	3,89,303	23,69,890	0.16
2023-2024	4,26,760	26,59,220	0.16
2024-2025	4,31,246	32,81,144	0.13

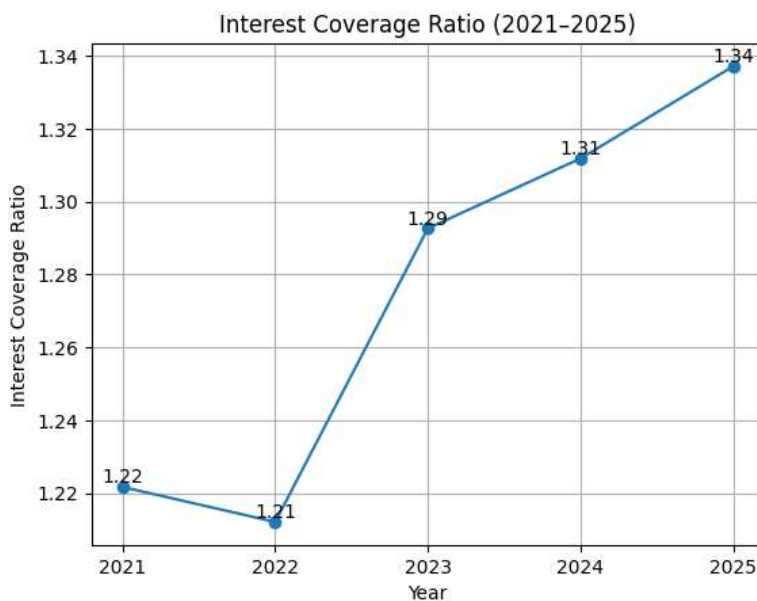


Interpretation : The proprietary ratio improved from 0.14 in 2020–21 to 0.16 in 2022–23, indicating a stronger equity contribution in total assets. However, it declined to 0.13 in 2024–25, showing increased reliance on borrowed funds and higher financial leverage.

C. Intrest coverage Ratio

Years	EBIT (₹ Lakhs)	Finance Cost (₹ Lakhs)	Interest Coverage Ratio
2020-2021	2,03,652	1,66,698	1.22
2021-2022	1,98,233	1,63,548	1.21
2022-2023	2,03,114	1,57,133	1.29
2023-2024	2,36,783	1,80,502	1.31

2024-2025	3,12,230	2,33,515	1.34
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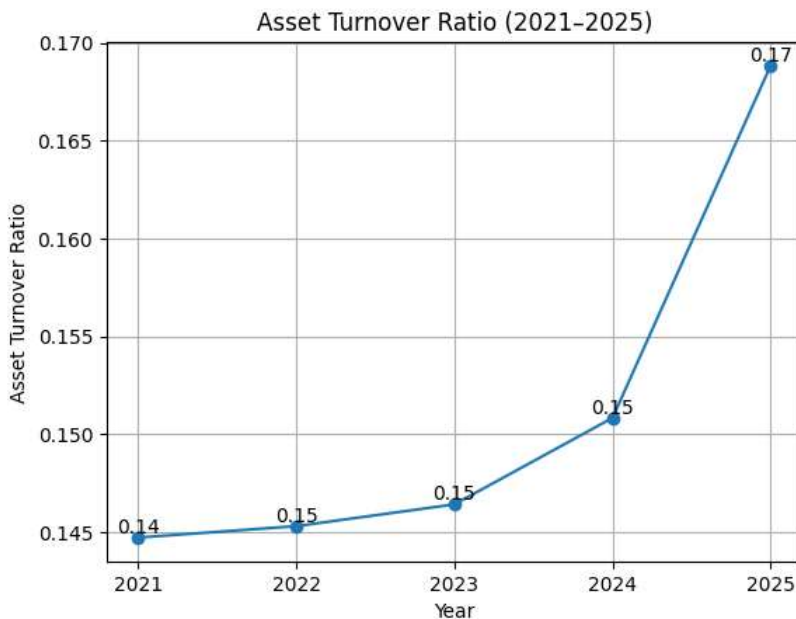


Interpretation : The Interest Coverage Ratio remained slightly above 1 throughout the five years, indicating the company is able to meet its interest obligations. The gradual improvement from 1.21 in 2021–22 to 1.34 in 2024–25 reflects better earnings capacity to cover finance costs.

4. Activity Ratio

A. Asset Turnover Ratio

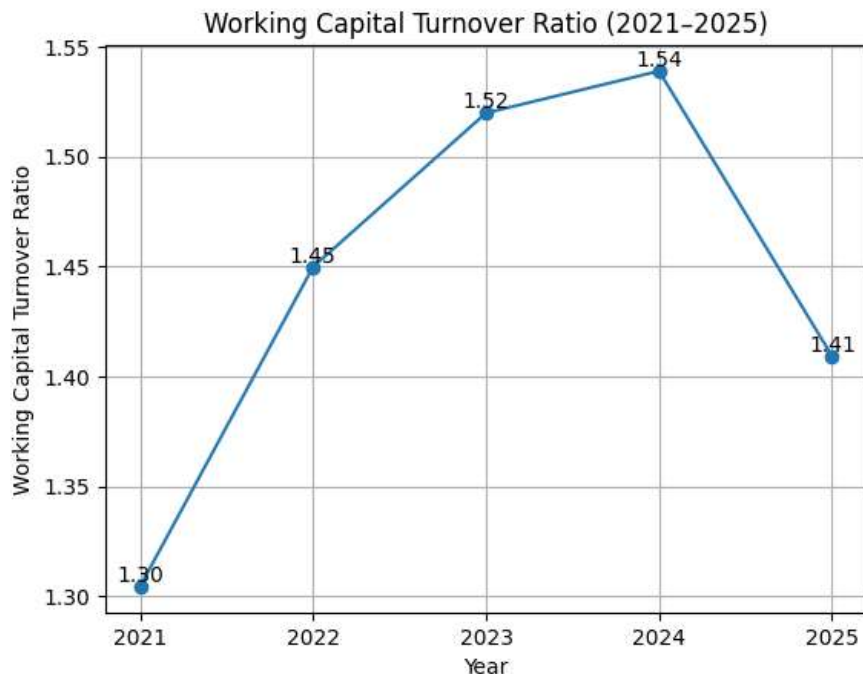
Years	Revenue (₹ Lakhs)	Total Assets (₹ Lakhs)	Asset Turnover Ratio
2020-2021	3,23,298	22,34,028	0.14
2021-2022	3,32,792	22,90,377	0.15
2022-2023	3,46,983	23,69,890	0.15
2023-2024	4,01,096	26,59,220	0.15
2024-2025	5,53,962	32,81,144	0.17



Interpretation : The Asset Turnover Ratio remained stable around 0.14–0.15 from 2020–21 to 2023–24, indicating consistent asset utilization. It improved to 0.17 in 2024–25, showing better efficiency in generating revenue from total assets.

B. Working Capital Turnover Ratio

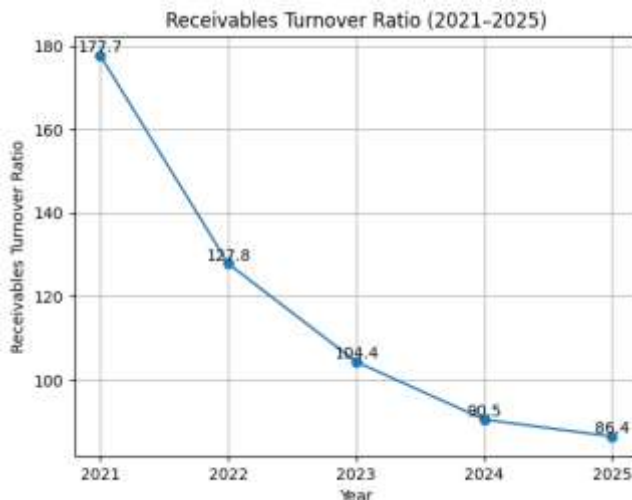
Years	Revenue (₹ Lakhs)	Working Capital (₹ Lakhs)	Working Capital Turnover
2020-2021	3,23,298	2,47,853	1.3
2021-2022	3,32,792	2,29,543	1.45
2022-2023	3,46,983	2,28,303	1.52
2023-2024	4,01,096	2,60,636	1.54
2024-2025	5,53,962	3,93,102	1.41



Interpretation : The Working Capital Turnover ratio improved from 1.30 in 2020–21 to 1.54 in 2023–24, indicating better utilization of working capital to generate revenue. However, it declined to 1.41 in 2024–25, suggesting increased working capital due to business expansion

B. Receivables Turnover Ratio

Year	Revenue (₹ Lakhs)	Trade Receivables (₹ Lakhs)	Receivables Turnover
2021	3,23,298	1,819	177.7
2022	3,32,792	2,603	127.8
2023	3,46,983	3,325	104.2
2024	4,01,096	4,432	90.5
2025	5,53,962	6,411	86.4

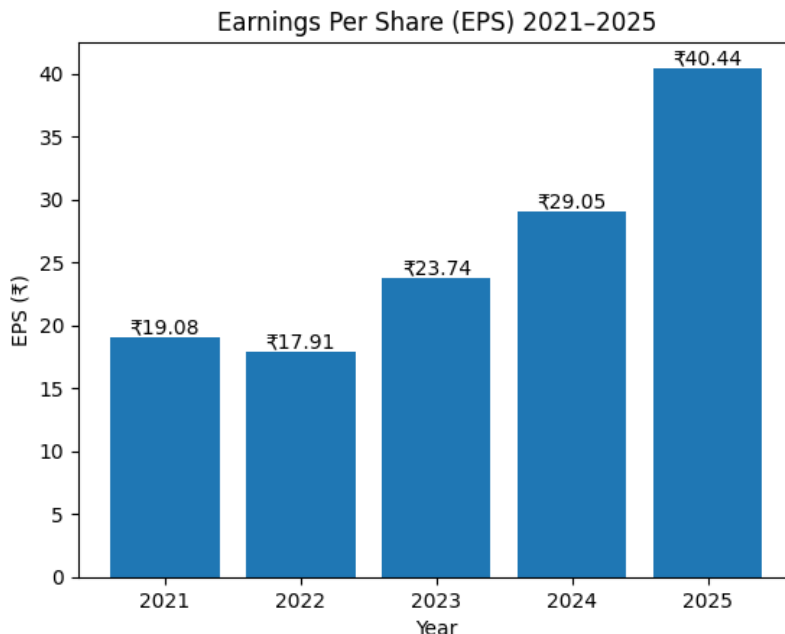


Interpretation : The Receivables Turnover ratio declined steadily from 177.7 in 2021 to 86.4 in 2025, indicating an increase in receivables over the years. This suggests slower collection efficiency as the company expanded its operations and credit exposure.

5. Overall Performance

A Earning Per Share

Years	Earnings Per Share (₹)
2021	19.08
2022	17.91
2023	23.74
2024	29.05
2025	40.44



Interpretation : Earnings Per Share (EPS) declined slightly in 2022 but showed strong and consistent growth from 2023 onwards, reaching ₹40.44 in 2025. This indicates significant improvement in profitability and enhanced returns to shareholders over the five-year period.

V. CONCLUSION

The five-year ratio analysis indicates that the company has maintained a stable liquidity position throughout the study period. Profitability has improved consistently, as reflected in the growth of Net Profit Ratio, ROA, ROE, and EPS. These improvements show better operational efficiency and effective utilization of assets and equity. Revenue and net profit have increased steadily over the years.

Although the Debt–Equity ratio has risen due to business expansion and higher borrowings, the company is still able to meet its financial obligations. The Interest Coverage Ratio supports this stability. Overall, the company demonstrates strong financial performance, efficient management, and promising future growth potential.

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