

NATIVE SPARROW SOFTWARE SOLUTIONS LLP, MADURAI: A FINANCIAL ANALYSIS AND RECOMMENDATIONS

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ABSTRACT

The software industry of India has evolved on the basis of increasing its place in the value chain and providing tailor made solutions to the respective customers. Customer satisfaction can also be included in the list of reasons. The NASSCOM has announced in 2018 that the future of Indian software companies is very bright in the next decade if the industry keeps on growing at the rate 11% CAGR, which is exactly the current rate of growth. This present study will evaluate the financial results of the selected 20 companies for the period of 10 years i.e. 2010 to 2019 and try to find the dependency of operating profit and inconsistency (if any) in the financial performance of the selected companies.

Keywords: Company, Liquidity, Profitability, Solvency, Textile.

ABOUT THE COMPANY

Native Sparrow is an Indian multinational provider of consulting, software products and solutions. We enable our clients to outperform the competition and stay ahead of the innovation curve. We help enterprise transform and thrive in a changing world through strategic consulting, operational leadership and the co-creation of breakthrough solutions, including those in mobility, sustainability, big data and cloud computing. From the beginning we have been a company focused on bringing to life great ideas and enterprise solutions that drive progress for our clients. For the past 6 years, we have been envisioning, designing and delivering custom software for our clients' toughest challenges. When innovation is critical, and failure is not an option, our track record says it all.

INTRODUCTION

Finance is the art and science of managing money. Finance is regarded as the life blood of a business enterprise. In general, finance may be defined as the activity concerned with planning, raising, controlling and administering of the funds used in the business. Financial Management is concerned with the duties of the financial managers in the business firm.

Financial Management is concerned with the management decisions that results in the acquisition and financing of long term and short term credits of the firm. As such it deals with



the situations that require selection of specific assets (or combination of liabilities) as well as the problem of the size and growth of an enterprise.

Financial statement analysis is the process an individual goes through to analyze a company's various financial documents in order to make an informed decision about that business. While the specific data contained within each financial statement will vary from company to company, each of these documents is designed to offer insight into the health of the company. They are also essential to monitoring a company's performance over time, as well as understanding how a company is progressing toward key strategic initiatives.

Financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of some business firm. It may show a position at a moment of time as in the case of balance sheet or may reveal a series of activities over a given period of time, as in case of an income statement.

Thus, the term financial statement generally refers to the basic statements:

- a. The income statement
- b. The balance sheet.

REVIEW OF LITERATURE

Manickamet et al (2014) conducted a study on the financial analysis of software industry and the findings of the study stated that the selected companies are showing appropriate liquidity position and ample working capital. This shows that the Indian software industry is growing at a steady rate and the same will continue for at least 10 years or so. They also found that internal financing is one of the USPs in the growth of Indian software industry and is helping in increasing the profitability of the selected software companies.

Sinha (2016) conducted a study on the evaluation of financial results of listed IT companies in the country and the findings of the study stated that during the study period i.e. 2005 to 2015 the growth rate of overall software industry has raised to a substantial level and is expected to grow by leaps and bound in near future. Then on the other hand exports are increasing the revenue in dollars and this is good sign for the growth of the industry. The researcher also stated that software industry is a self-sustained industry and is supporting a number of other industries as well.

Jakhu (2017) conducted a study on the top 5 IT companies of the country, which include HCL, TCS, Wipro, Mahindra, etc. and compared the financial results on the basis of ratio analysis. The findings of the study stated that as far as liquidity is concerned TCS is in a better condition as compared to other native companies but on the grounds of profitability and rate of growth Mahindra and Wipro are showing better results. The researcher also stated that revenue from exports is one of the reason for such type of exponential growth.

RESEARCH OBJECTIVES

- To know the borrowings of the company as well as the liquidity position of the company.
- To study the current assets and current liabilities so as to know whether the shareholders could invest.



- To study the profits of the business and net sales of the business and to know the stock reserve for sales of the business.
- To know the solvency of the business and the capacity to give interest to the long term loan lenders (debenture holders) and dividend to the shareholders.
- To study the balance of cash and credit in the organization.

SCOPE OF THE STUDY

The study was conducted on the analysis of financial statement with special reference to Sparrow Software Solutions LLP in order to know about the performance of the company for the preceding five years. The scope of the study is defined in terms of the textile industry annual report. The study is mainly based on the availability of the financial data provided by the company. This study helps to know about financial position of the company. It helps to measure the profitability position of the industry.

RESEARCH METHODOLOGY

Research is a process in which the researchers wish to find out the end result for a given problem and thus the solution helps in future course of action. The research has been defined as “A careful investigation or enquiry especially through search for new facts in branch of knowledge”

SOURCES OF DATA

Only the secondary data has been used in project study. The research itself being an external one and doing study as a part of curriculum had to depend mainly upon secondary data for the different aspects, Hence the data required for the study were collected mostly from the annual report manuals and accounts of Sparrow Software Solutions LLP, and various magazines and journals.

WORKS OF ANALYSIS

To arrive at research findings and the conclusion of the present study, ratio analysis, cash flow statement, fund flow statement and comparative balance sheet analysis have been used.

STATISTICAL TOOLS USED

RATIO ANALYSIS

Ratio analysis is a form of financial statement analysis that is used to obtain a quick indication of a firm's financial performance in several key areas. The ratios are categorized as short-term solvency ratios, ratios, debt management ratios, asset management ratios, profitability ratios, and market value ratios. Ratio analysis as a tool possesses several important features. The data, which are provided by financial statement, are readily available. The computation of ratios



facilities the comparison of firms which differ in size. Ratios can be used to compare a firm's financial performance with industry averages. In addition, ratios can be used in a form of trend analysis to identify areas where performance has improved or deteriorated over time.

COMPARATIVE BALANCE SHEET

Comparative financial statement analysis provides information to assess the direction of change in the business. Financial statements are presented as on a particular date for a particular period. The financial statement balance sheet indicates the financial position as at the end of an accounting period and the financial statement income statement shows the operating and non-operating results for a period. But financial managers and top management are also interested in knowing whether the business is moving in a favorable or an unfavorable direction. For this purpose, figures of current year have to be compared with those of the previous years. In analyzing this way, comparative financial statement are prepared.

TREND ANALYSIS

In financial analysis the direction of changes over a period of years of crucial importance time series or trend analysis of ratios indicated the direction of changes. This kind of analysis is particularly applicable to the items of profit and loss account. Under this technique, information for a number of years is taken up and year (usually the first year) is taken as the base year. Each item of the base year is taken as 100 and in that basis; the percentages for other years are calculated.

SUGGESTION

- In order to improve the turning of inventory problem in to receivables through sales, the company should design and implement some techniques like making reasonable discount on the price of the product (work more on marketing), setting the maximum inventory holding period at the head office level and use Just in time delivery method for purchasing activity.
- Liquidity ratio of the firm is not better liquidity position in over the five years. So I suggested that the firm maintain proper liquid funds like cash and bank balance.
- According to the calculated profitability ratios, the company profitability is not attractive. So ,the company should reduce its cost of goods sold and operating expenses by separating controlling and non-controlling cost and implementing corrective action like; by reducing purchasing cost, decreasing wastes like paper usage and decreasing overheads like electricity ,telephone and soon.
- The firm high inventory so I suggested that the firm must reduce the stock by increase sales.
- In order to improve the leverage ratio, the company should set its optimum capital structure and implement corrective action through some techniques like increase capital and paying off its debt to creditor to achieve its optimum capital structure.



CONCLUSION

The project of Ratio analysis in the service industry is not merely a work of the project. But a brief knowledge and experience that how to analyze the financial performance of the firm. The study undertaken has brought in to the light of the following conclusions. According to this project I came to know that from the analysis of financial statements it is clear that Native Sparrow have been incurring profit during the period of study. So the firm should focus on getting of huge profits in the coming year by taking care internal as well as external factors. Gross profit and net profit of the Native Sparrow is fluctuating over the past five years. On an average the Native Sparrow overall performance is quite satisfactory as per the Financial Positions of the Company.

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