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A STUDY ON FINANCIAL PERFORMANCE OF GEODESIC LTD

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ABSTRACT

Finance is required at different stages of business beginning from its formation, expansion extending up to its winding up. The success of every business depends upon the way in which required funds are arranged at the right time, in the right quantity from right sources and at the least cost. All these aspects are covered by financial management. Financial management in simple terms is concerned with three broad decision areas like investment decisions, financing decisions and dividend decisions.

I. INTRODUCTION

"In a modern money using economy, finance may be defined as the provision of money at time it is wanted." The ambitious plans of the businessmen would remain mere dreams unless adequate money is available to convert them into reality. In the early stages of industrial revolution, capital was not much consequent and the financial requirements of businesses were limited. The methods of production were extremely simple and tools and equipments were inexpensive. Labour was more important, relatively than capital. Production could, thus, be termed as 'Labour intensive'. Under such a set up, finance didn't pose any big problem. As the time passed, industries grew and production began to be carried on a mass scale for national and international markets. It necessitated the use of huge and complex machineries, very large quantities of raw materials and large number of workers. All these made industry 'capital intensive' and capital became the most important factor of production.

In the present day Capitalistic regime the size of business enterprises is increasing resulting into corporate empires empowered with a lot of social and political influence. This makes corporate finance all the more important. Corporate finance is also referred to as Financial Management. Every management aims to utilize its funds is a best possible and profitable way. The success and growth of a firm depends upon adequate return on investment. The investors or shareholders can be attracted by a firm only by maximization of their wealth through the application of principles and procedures as laid down by corporate finance.

STATEMENT OF THE PROBLEM

To function to create profit and earn goodwill, all businesses needs the financial support. To carry out its operations, they have to procure funds and make optimum utilization of these funds. This calls for sound decisions making specifically when it comes to decision pertaining to finance as all other decisions have financial impact. Financial management is a managerial activity is a separate discipline; it has evolved as a separate body of knowledge but still depends heavily on economics for its theoretical concepts. Besides economic theories, it uses accounting knowledge, mathematical rules, aspects of system analysis and behavioural science for arising financial managers. The subject of financial management is of immense interest to both academicians and practicing managers. Indeed, the emergence of financial management as a separate discipline have increased the scope of Chartered Accountants, Cost and Work Accountants, MBA holders etc. It is even important in our personal life and inevitable in business life.

SCOPE AND SIGNIFICANCE OF THE STUDY

The study on 'Financial Analysis and Performance Evaluation of Geodesic Limited' is carried out to get a clear picture of the company by examining its liquidity, profitability, return on capital employed, earnings per share etc. The performance effectiveness of the company is also analysed by comparing with past few years.

Geodesic is a technology company focused on delivering solutions/products in the field of communication, content management, collaboration and customer management to the enterprise and retail segments. As the company is dealing with software development and hardware products, their main focus is on innovation. The

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customer base of the company covers major financial institutions, banks, public sector undertakings, multinational companies, broking houses, mutual funds and insurance providers. The company assures that they design and build their products and solutions to help their customers around the world to reduce their communication costs and sales cycles and improve efficiency to grow their businesses. Hence, in the world of innovation, a study on an Electronic Communication Technology Company like Geodesic Limited who serves general public and government is significant from economic point of view.

OBJECTIVES OF THE STUDY

1. To assess the profitability, liquidity, solvency and efficiency of the company.
2. To assess the extent of operation and market performance
3. To decide about future prospects of the company
4. To analyse income and expenditure pattern so as to focus its impact on profitability.
5. To calculate various ratios based on their final accounts.

LIMITATIONS OF THE STUDY

1. The study has the limitations of accounting ratios.
2. The study was concerned on a single company and no comparison is being made.
3. The study is based only on secondary data.
4. Only financial aspects are studied in detail.

II. REVIEW OF LITERATURE

Pattnaik N., Srivastava S. & Sachdev Y., (2018) The main objective of the study is understanding about stock market performance of Infrastructure companies in the present scenario, evaluate the analysis on Infrastructure companies in India and also forecast the future share price and position of the selected companies. The study period is about 52 weeks from 14th September 2016 to 15th September 2017. The researcher had selected the top ten infrastructure companies in India based on market capitalization value and analyse share prices for 52 weeks.

Pal Shrabanti (2018), investigated the relationship between liquidity ratios and profitability of selected 16 Indian software companies. The study conducted to know effect of post-recession period i.e., 2010-11 to 2015-16 on financial performance of selected companies. Liquidity has positive impact on profitability found by the study. It concluded that due volatility in world market. The liquidity did not give high return to the companies.

AriyraRanjan Das (2018) this research paper aims to study the financial performance of selected software in India in terms of financial ratios. The analysis will not only help o identify whether there exist any differences in the financial performances of the selected companies in the industry. Study duration is 2012-13 to 2017-18. This study based on the secondary data. The present study of the financial performances of the identified software companies reveal there exists significant different in the financial performances of the company.

III. RATIO ANALYSIS

1. CURRENT RATIO

The current ratio may be defined as the relationship between current assets and current liabilities. It is also known the working capital ratio. It is used in analysis the is short-term financial position of a firm. It is calculated using the formula:

Current Assets

Current liabilities

Current assets are those assets which can be easily converted into cash within a short period. It includes cash, debtors, bills receivables etc. Current liabilities are those obligations which are payable within a short period i.e., within one year. Examples are creditors, bills payables etc.

STATEMENT SHOWING CURRENT RATIO (in crores) YEAR	CURRENT ASSETS	CURRENT LIBIALITIES	RATIO (no. of times)
2015-2016	200.25	10.54	19.01
2016-2017	816.28	57.85	14.11
2017-2018	784.99	105.04	7.47
2018-2019	782.3	91.74	8.53
2019-2020	906.35	332.28	2.73

QUICK RATIO

Quick ratio, also known as Acid Test or Liquid ratio, is a more rigorous test of liquidity than the current ratio. Quick ratio may be defined as the relationship between quick or liquid assets and current or liquid liabilities. Cash in hand and at bank are the most liquid Assets.

Quick ratio is calculated using the formula:

Quick or Liquid assets

Current Liabilities

Quick assets = Current assets- (inventories + Prepaid expenses)

STATEMENT SHOWING LIQUID RATIO (in crores) YEAR	LIQUID ASSETS	CURRENT LIABILITIES	RATIO (no. of times)
2015-2016	200.15	10.54	18.99
2016-2017	814.5	57.85	14.08
2017-2018	784.6	105.04	7.47
2018-2019	777.04	91.74	8.47
2019-2020	897.16	332.28	2.7

DEBT-EQUITY RATIO

Debt-equity ratio, also known as External- Internal Equity Ratio is calculated to measure the relative claims of outsiders and the owners (shareholders) against firm's assets. This ratio indicates the relationship between outsiders' funds and shareholders' funds. Thus, Debt- Equity ratio is calculated as:

Out sider's funds

Share holder's funds

Shareholders' funds = Equity capital + Preference Capital + Reserves and Surplus +

Accumulated Profits + Accumulated Losses

Outsiders' funds = Debentures + Mortgage Loans + Bonds + Long- term Loans

STATEMENT SHOWING DEBT-EQUITY RATIO (in crores) YEAR	OUTSIDERS' FUNDS	SHAREHOLDERS' FUNDS	RATIO (no. of times)
2015-2016	.19	320.04	.01
2016-2017	506.79	426.38	1.18
2017-2018	640.97	602.72	1.06
2018-2019	586.93	762.42	.76
2019-2020	614.07	964.23	.63

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IV. SUGGESTION

❖ The company was low geared in 2007, 2010 and 2011. Such a decision is suitable during depression period and it is better for the company not to resort to fixed interest bearing securities as source of financing during such period.

❖ The current assets of the company are more than their current liabilities, but the short-term liquidity of the firm is not better. This has affected the working capital and the current ratio, leading to difficulty in paying short-term liabilities in time.

❖ The Fixed Asset Ratio of the company is less than 100%, indicating that the company needs to invest more in fixed assets to increase its long-term solvency. This can be done by relying on long-term loans funds to purchase fixed assets.

❖ The Debt-Equity Ratio of Geodesic was higher than the accepted norm of 1:1 in 2017 and 2018, but the EPS was only Rs.26.03 in 2020. Additionally, if a firm does not use debt, it cannot make use of financial leverage, which is better for the company's profitability.

❖ Geodesic Ltd follows a stable dividend policy with a higher pay-out ratio to maximize the market value of shares. However, it has paid fewer dividends and retained a large portion of EPS as retained earnings. If profits are not distributed regularly, shareholders may have to pay a higher rate of tax.

V. CONCLUSION

Geodesic Ltd. is a technology company focused on delivering solutions in the space of Communication, Content Management, Collaboration and Customer Relationship Management to the enterprise and retail segments. They have invested substantially in innovation and growth, fortified their leadership and retained their work culture. Their business has grown significantly since inception, resulting in substantial increase in revenues. However, their revenue growth has been moderate over the last few years due to volatility in the global economy, increased competition, new depth initiatives and enhanced sales cycle. Geodesic believes that good governance is a key element to enhance and retain shareholders' trust, generate goodwill among business partners, customers and investors, and respect from society at large. They strive to attain their performance goals with integrity, ethical, legal and business expectations and at the same time fulfil their social obligations and responsibilities.

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