

## A STUDY ON FINANCIAL STATEMENT ANALYSIS AND INVESTMENT DECISIONS AT RELIGARE SECURITIES

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**ABSTRACT:** The ability to analyze financial statements is a crucial skill for stock market investors to have. By analyzing financial statements including income and balance sheets, this research by Religare Securities shows how real company strategies are created. Potential investors can gauge the strength, stability, and riskiness of a business by looking at its profitability, liquidity, rate of return, and returns. Using ratio and trend analysis, one can find opportunities and avoid problems. In order to make better investing selections, it is helpful to compare the performance of different companies. This approach does double duty by both consolidating data and enhancing trust in investment decisions. An example of a company that uses this technology on a daily basis is Religare Securities. In order to diversify stock portfolios and lower risk while trying to raise their value, the research shows how financial data can be used.

**Keywords:** Financial Statement Analysis, Investment Decisions, Ratio Analysis, Liquidity Analysis, Profitability Ratios, Financial Planning, Solvency Ratios

### I. INTRODUCTION

A financial statement is a formal document that describes the financial operations and present financial standing of a company, organization, or person. It provides a comprehensive overview of the company's operations, output, and financial health over a certain period. The three main financial statements of a business—the income statement, the balance sheet, and the cash flow statement—are studied in detail during financial statement analysis. Income, assets, liabilities, cash flow, and profitability are the five main metrics that analysts use to gauge a business's financial health and performance.

In order to make educated decisions, financial statement analysis involves systematically evaluating a business's financial data. It is used by those outside of an organization to gauge its overall health, financial performance, and worth to the company. Members of the organization use it to keep an eye on the money.

The company's financial woes have many worried parties, both within and outside the organization. A complete and accurate understanding of the situation can be gained through the analysis of financial statements. Stakeholders can gain crucial knowledge about a company's performance from this research. It also ensures that buyers and financial experts are up-to-date on company and market news, which helps them make more informed decisions.

Profitability, liquidity, and solvency are three important financial metrics that corporate executives and finance teams can use to assess the success of resource management and the achievement of financial objectives. One way for investors to assess a company's financial



well-being and future prospects is by using ratio analysis. They are capable of making prudent business decisions in this regard.

In order to maximize returns for shareholders, investment decisions entail allocating a company's resources. A short-term investment decision and a long-term investment are two sides of the same coin.

The process of overseeing an organization's capital intake and outflow is known as financial management. One of these considerations is picking the right approach to investing in both liquid and long-term assets. Buying and spending money are both a part of it. A fund manager's top three decisions are dividend policy, investing strategy, and financial planning.

## II. REVIEW OF LITERATURE

Woelfel (2021) The target audience for Woelfel's book is individuals who want to do their own research in the stock market. It shows readers how to grasp income, cash flow, and balance sheets by breaking them down into their component parts. To help readers make better business decisions, the book uses financial metrics such as ratios and trends. Participants can take what they've learned in the exercises and apply it to actual business scenarios. Woelfel helps clients avoid mistakes and see red flags by going over common mistakes and the best ways to fix them. Anyone seeking to comprehend independent investment will find it to be an invaluable resource.

Olayinka (2022) According to Olayinka's findings, people can make better informed company judgments by reviewing financial statements. The research shows that investors can see opportunities and minimize risks by putting liquidity, profitability, and solvency first. Accurate reporting boosts market performance and builds trust, according to the data. In addition to the monetary gains, the research shows that strategic investment planning correlates with achievement. The helpful advice given is applicable to both experts and the general public. Accurate and transparent information is essential for effective investment plans.

Anderson (2023) According to Anderson, problems arise when investors are unable to compare the financial statements of different companies. Making decisions based on inaccurate information is a real possibility due to the fact that different reporting formats might hide a company's true financial situation. According to the findings, assets that are hard to compare almost never perform to their full potential. To make sure that financial disclosures are fair and clear, standardization is key. Government initiatives to standardize accounting practices globally are supported by Anderson's findings. Ultimately, investors want to make better decisions based on consistent and transparent information.

Subramanyam (2023) Financial accounting is thoroughly examined by Subramanyam, who incorporates both practical procedures and theoretical principles in his work. This book breaks down the three main methods for assessing a business's success: trend analysis, ratio analysis, and forecasting. The significance of prudent budgeting in demonstrating genuine financial security is emphasized. Students are better able to understand and implement the concepts when they have access to real-world examples and case studies. In order to encourage a more critical analysis, the book also examines the reporting biases and



shortcomings. Workers and students who want to make smart financial decisions will find it an invaluable resource.

Ampofo, Barkhi, & Nketia (2023) The purpose of this research is to find out how non-financial professionals use financial statement analysis to help them choose stocks. The decision-making processes are greatly affected by the credibility and strategic stance of management. Statistics and a company's financial strength and capacity to remain competitive are two factors that investors consider. According to the research, sound judgment requires more than just math and statistics. Better outcomes are within your reach when you combine your knowledge of business with your insight into human behavior and perception. Our comprehension of actual investment activities is enhanced by this multidisciplinary approach.

Kim, Muhn, & Nikolaev (2024) Kim and colleagues use GPT-4 and other comprehensive language models to analyze financial documents. Their research shows that when it comes to predicting changes in profitability, artificial intelligence is often more accurate than human analysts. Massive language models can sift through mountains of financial data, find the nuggets of information that matter, and then construct narrative assessments of a company's success. This research shows that AI has the potential to improve monetary decision-making. It further exemplifies potential future applications in offering automated financial advisory services. By combining technological advancements with conventional financial analysis, this method offers investors a fresh perspective.

Edori & Wokeh (2024) Edori and Wokeh found that investors' behavior is strongly correlated with their knowledge of financial data. They use examples from publicly listed companies to show how to use liquidity, profitability, and leverage ratios to measure success. The level of security and confidence felt by investors is typically higher when reports are thorough and easy to understand. The significance of honest and accurate bookkeeping is emphasized by the research. Additionally, it highlights the fact that increased investment in research results in better returns. All things considered, the research's findings highlight how crucial financial research is for strategic planning.

Lenihan (2024) Financial statement analysis as it pertains to portfolio management is covered extensively in Lenihan's chapter. Included in this set of essential methods are assessments of cash flow, trends, and ratios. This article shows how investment decisions can be guided by integrating accounting indicators with risk assessment and value. We emphasize that a major limitation is the possibility of revenue manipulation and inaccurate reporting. For long-term performance evaluations, analysts look to real-world instances. For both researchers and professionals in the field, this chapter is an invaluable resource.

Fridson & Alvarez (2024) Fridson and Alvarez delineate methods for analyzing investment-related financial accounts. Cash flows, profitability metrics, and risk indicators are some of the topics covered in their publication, which covers both basic and advanced techniques. The methods for assessing bonds and shares have been studied extensively. To help readers understand how to use the tools correctly, the authors have included case studies and genuine scenarios. The importance of differentiating between successful and unsuccessful strategies for company wellness is emphasized by the authors. Researchers and investors rely on this tool because it combines accounting data with investment approaches.



Penman & Pope (2025) An all-inclusive method for value investing based on financial statement analysis is provided in the book by Penman and Pope. Their main focus is on analyzing accounting and financial records to find out how much a firm is actually worth. Techniques for finding mispriced shares are demonstrated through the use of case studies and real-world situations. Quantitative and qualitative techniques are employed to evaluate the system's financial status. By demonstrating valuation methods using basic financial measures, the book expands on the work of Graham and Dodd. It bridges the gap between theory and practice, allowing investors to make data-driven decisions.

Silitonga, Izzati, Zahrani, & Panggabean (2025) The effect of financial statements on investment decisions made by publicly traded companies in Indonesia is the subject of this research. By analyzing ten projects carried out between 2021 and 2023, the writers highlight the significance of honesty and accuracy. The findings show that reliable reporting helps to build confidence among investors and makes it easier to make well-informed decisions. Inadequate reporting, on the other hand, could mislead or discourage investors. Strong corporate governance is critical for enabling correct disclosures, according to the report. The impact of accounting regulations on investment patterns in developing economies can be better assessed with its help.

### III. TYPES OF FINANCIAL ANALYSIS



**Horizontal Analysis:** The amount of change in line items of the financial statements from one year to the next is assessed using the horizontal analysis. This necessitates comparing outcomes over various time periods. For a long time, this was the go-to technique for financial analysts looking to spot trends, evaluate performance across time, and spot differences in financial data. Of all the applications of horizontal analysis, financial forecasting is by far the most common. When predicting a company's future success, financial experts look to their financial records.

**Vertical Analysis:** Another vital instrument for economic research, this one. Financial statement analysis, sometimes called vertical analysis, describes this. This is used by financial analysts to better understand the facts that are derived from financial records. Any financial statement with three or more line items can be analyzed vertically, just like horizontally. Profit and loss, asset and liability, and cash flow statements are all part of this package.

**Trend Analysis:** Financial analysts often use trend analysis, a supplementary research tool, to gain a better understanding of monetary movements over time. As the name suggests,

financial analysts use this technique to sift through financial data from the past in search of trends and success markers.

**Liquidity Analysis:** Liquidity analysis can help a company pay its short-term bills. How quickly an organization can convert its assets, such as accounts payable, into cash is one way to measure its liquidity. The liquidity of an organization's assets can be better assessed with its help. To help businesses identify possible financial risks and make better borrowing and budgeting decisions, this research is essential.

**Solvency Analysis:** The importance of liquidity analysis for all kinds of firms is growing in light of the present economic climate. When evaluating the financial health of a company, the method known as "solvency analysis" is useful for chief executive officers, chief financial officers, owners, and other key stakeholders. A company's profitability and long-term viability can be better assessed using this line of questioning.

**Profitability Analysis:** The ability to generate income is fundamental to the long-term health of any successful enterprise. A company can learn a lot about its resource allocation and how to improve its spending strategies by looking at its profitability.

**Scenario & Sensitivity Analysis:** An integral part of financial analysis is the use of scenario and risk analysis. Companies use it to find out how little changes to certain parts impact the final product of a project or commercial endeavor. The goal of scenario and sensitivity analysis is to help in decision-making by reducing ambiguity by identifying potential risks associated with different scenarios.

**Variance Analysis:** Businesses can learn more about the discrepancies between actual outcomes and expected outcomes by using variance analysis. The people whose decisions are based on facts need to know why their ideas don't work.

**Valuation Analysis:** A company's entire value can be determined through valuation studies by analyzing its assets and liabilities. It is critical to evaluate past performance and predict future outcomes to ensure that all parts of the company are appropriately recognized. Financial liabilities, stock securities, and intangible assets (such as patents) may all be included in this list. Knowing a company's current worth and its potential for future growth allows buyers to make better-informed decisions on the purchase or sale of that company.

**FP&A Analysis :** Every thriving business must have FP&A, or financial planning and analysis. Maximizing investment returns, determining spending priorities, and allocating resources are all made easier with its help. Fundamentally, financial planning and analysis comprises reviewing financial facts to help a firm make strategic decisions about future endeavors. It comprises making educated guesses about what might happen in different situations and coming up with strategies to reach those objectives. Experts in financial planning and evaluation typically conduct this type of research.

#### IV. STEPS IN THE INVESTMENT PROCESS

**Setting Financial Goals:** At this early stage, you explain what you want to achieve with your budget. A down payment on a house or saving for retirement are examples of medium-term goals; planning a vacation or buying a car are examples of short-term objectives. Investment categories, risk profiles, and appropriate timeframes can be better determined with clear objectives in mind.





**Assessing Risk Tolerance:** The extent to which you are willing and able to tolerate changes in the value of your money is reflected in your risk tolerance. Several factors influence this, including one's age, wealth, and the amount of financial responsibility they have. To choose assets that are suitable for your risk tolerance, you must have a clear idea of how much risk you are willing to take. Your ability to sell quickly will be hindered by a market drop.

**Creating a Budget and Emergency Fund:** Make sure your finances are solid before you spend any money. Using a budget to keep tabs on your income and expenses can help you assess your investment possibilities. Make sure you don't have to sell your investments in a panic by building up an emergency fund that covers three to six months of living expenses.

**Diversifying Investment Portfolio:** The term "diversification" refers to spreading your money out among different assets and industries. It is possible to reduce risk by spreading out investments such that the profits from different ones cancel out the losses from any one of them. A well-diversified portfolio expertly balances potential rewards with potential losses.

**Conducting Research and Analysis:** One should carefully consider all of their options and analyze financial statements, market trends, and performance indicators before making any investments. Examining past returns, associated risks, and different kinds of investments is part of this process. Doing one's homework can help one make better investment judgments.

**Making Informed Investment Decisions:** Investments that fit your goals, risk tolerance, and budget are chosen with the help of your academic knowledge. In order to accomplish this, it is crucial to find the sweet spot of time, money, and investing strategies. If you evaluate and change your decisions as needed, they will stay in line with your goals.

**Regularly Reviewing and Rebalancing the Portfolio:** Regular evaluations of the investment process are necessary to guarantee it is proceeding according to plan. Rebalancing your portfolio keeps the original asset allocation. This is of utmost importance considering the massive changes taking place in the company. Over time, this method achieves optimal results while reducing risk.

## V. METHODS OF FINANCIAL ANALYSIS FOR INVESTMENT DECISIONS

### Ratio Analysis

Investors systematically use ratio analysis to evaluate a company's financial performance relative to its rivals and over time. One way to assess a business's health is to look at its liquidity, profitability, solvency, and efficiency ratios. These ratios help to clarify patterns, risks, and chances for growth, which in turn allows for the discovery of potential



improvement areas. By following this systematic strategy, individuals can make well-informed and prudent investment choices.

### **Trend and Comparative Analysis**

Income, expenditures, earnings, and cash flows are just some of the financial variables that can be analyzed using trend analysis, which looks at data over more than a year. On the flip side, comparative analysis evaluates a company's success by comparing it to similar companies in the same industry or to predetermined standards. When taken as a whole, these tactics reveal whether a company is improving or worsening over time. Additionally, they draw attention to the pros and cons of rivals, which is essential for making long-term business decisions.

### **Cash Flow Analysis**

Profit measurements are only one part of cash flow analysis. Cash flows from operations, investment strategies, and financial operations are also covered. Performance indicators that show how well a company can make money, pay its bills, and keep running smoothly. Free cash flow and the cash conversion cycle are two metrics that investors often look at to gauge the health and efficiency of a business. Due to reduced risk and increased financial stability, a firm with robust cash flow is an ideal long-term investment.

### **Risk Assessment Techniques**

Value at Risk (VaR), beta, volatility, and scenario analysis are some of the risk assessment techniques that investors can use to measure the level of uncertainty and possible losses. Both market-wide systemic hazards and risks related to individual businesses can be assessed using these tools. By knowing how exposed a firm is, investors may better weigh the risks and rewards of investing in the company and steer clear of those with excessive leverage. An elevated risk assessment strengthens portfolio stability and allows investors to make better-informed decisions.

### **Valuation Methods**

A company's true worth can be determined by methods such as discounted cash flow (DCF) analysis, market valuation, and the price-to-earnings ratio. By comparing the stock's market price with its intrinsic value, investors can use these strategies to determine if the stock is overvalued or undervalued. Reducing uncertainty and improving long-term strategic planning are both achieved through precise estimation. It guarantees that decisions are based on financial facts and not market distortions and is thus a vital component of good investment plans.

### **Interpretation of Financial Statements**

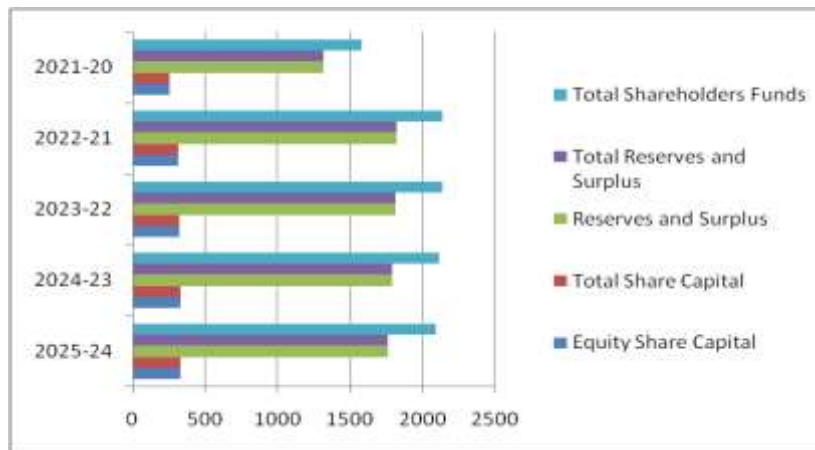
Further financial information might be gleaned by analyzing the company's income statements, balance sheets, and cash flow statements. Trends in debt levels, capital allocation, cost management, and revenue development can all be studied using this methodology. Investors rely on these insights to evaluate success based on more than just numbers. The precision of investment decisions is enhanced by thorough analysis, which makes it easier to differentiate between short-term and long-term benefits.



## VI. ANALYSIS AND DISCUSSION

**TABLE 1: SHAREHOLDER'S FUNDS**

SHAREHOLDER'S FUNDS	2025-24	2024-23	2023-22	2022-21	2021-20
Equity Share Capital	330.65	329.72	323.56	318.81	259.41
Total Share Capital	330.65	329.72	323.56	318.81	259.41
Reserves and Surplus	1,759.13	1,789.93	1,818.05	1,818.97	1,319.76
Total Reserves and Surplus	1,759.13	1,789.93	1,818.05	1,818.97	1,319.76
Total Shareholders' Funds	2,089.78	2,119.65	2,141.61	2,137.78	1,579.18



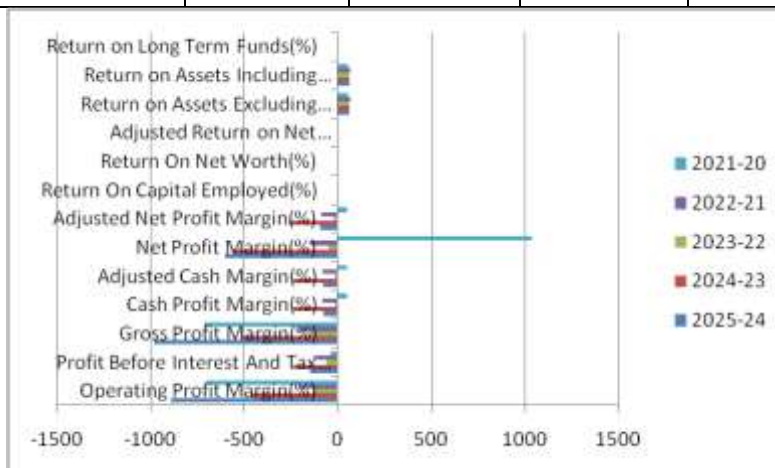
**DISCUSSION:** Religare Securities' capital has been relatively stable during the past five years. Their revenue increased from 1,579.18 crores in the fiscal year 2021–2022, to 2,089.78 crores in the fiscal year 2024–2025. From ₹259.41 crores to ₹330.65 crores, the equity share capital of the corporation increased. Its surplus and reserves fell from ₹1,818.97 crore in 2021–2022 to ₹1,759.13 crore in 2024–2025.

**TABLE 2: PROFITABILITY RATIOS**

Profitability Ratios	2025-24	2024-23	2023-22	2022-21	2021-20
Operating Profit Margin(%)	-892.67	-459.02	-131.79	-194.45	-696.18
Profit Before Interest And Tax Margin(%)	-146.56	-237.39	-57.27	-122.9	-37.11
Gross Profit Margin(%)	-979.68	-508.64	-144.84	-204.41	-714.97
Cash Profit Margin(%)	-76.75	-235.74	-12.64	-81.98	54.85
Adjusted Cash Margin(%)	-76.75	-235.74	-12.64	-81.98	54.85
Net Profit Margin(%)	-600.04	-554.73	-45.03	-146.32	1,037.86
Adjusted Net Profit Margin(%)	-89.77	-258.9	-17.8	-87.97	53.87
Return On Capital Employed(%)	-1.21	-1.99	0.07	-1.1	3.57
Return On Net Worth(%)	-1.79	-3.08	-0.48	-1.21	4.05
Adjusted Return on Net Worth(%)	-1.79	-3.08	-0.48	-1.21	4.05



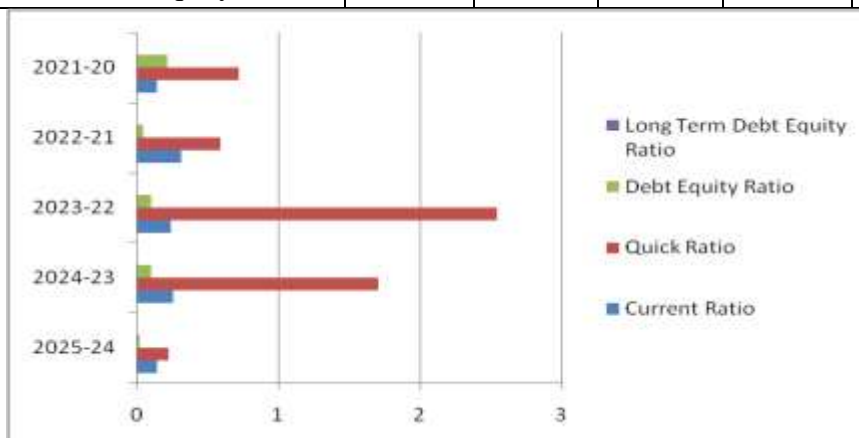
Return on Assets Excluding Revaluations	63.2	64.29	66.19	67.06	60.87
Return on Assets Including Revaluations	63.2	64.29	66.19	67.06	60.87
Return on Long Term Funds(%)	-1.23	-2.19	0.08	-1.14	4.33



**DISCUSSION:** Religare Securities has struggled financially for five years, according to its profitability statistics. Operating, gross, and net profit margins are often negative, causing severe financial losses for the company. Operations are inefficient if operational profit margin drops -892.67 percent in 2024–2025. The low return on capital invested and return on net worth also suggest low stockholder returns. Despite its financial problems, the company's return on assets is still strong, ranging between 60% and 67% after revaluations. This means every company asset makes money. The data reveals that the company is using its resources well despite massive losses.

**TABLE 3: LIQUIDITY AND SOLVENCY RATIOS**

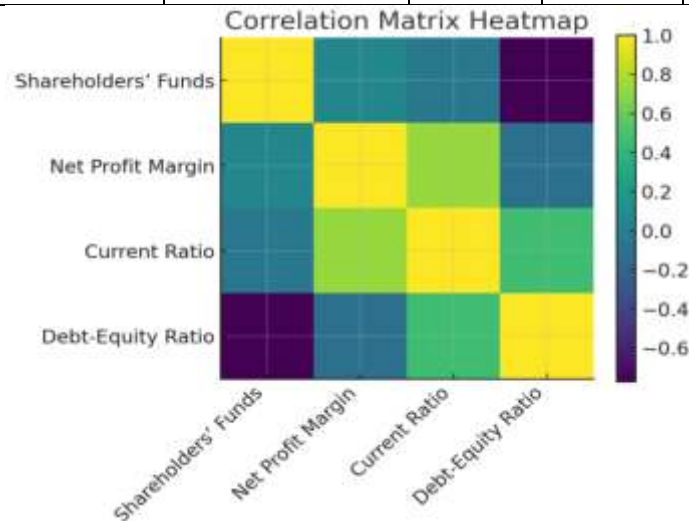
Liquidity And Solvency Ratios	2025-24	2024-23	2023-22	2022-21	2021-20
Current Ratio	0.14	0.25	0.24	0.31	0.14
Quick Ratio	0.22	1.7	2.54	0.59	0.72
Debt Equity Ratio	0.02	0.1	0.1	0.04	0.21
Long Term Debt Equity Ratio	0	0	0	0	0



**DISCUSSION:** The liquidity and solvency measures for Religare Securities show that the firm has a low level of debt and limited access to short-term funds. The current ratio remained extremely low in 2024–2025, falling to 0.14. If current assets are less than current liabilities, then short-term obligations will go unmet. There were not enough liquid assets to cover short-term debts, as seen by the precipitous drop in the quick ratio to 0.22. The overall debt-to-equity ratio is exceptionally low at 0.02 for 2024-2025, showing stability, while the long-term debt-to-equity ratio is zero. The company's prudent capital structure and lack of reliance on debt financing are indicated by this. Fast funding is proving challenging for the firm, even though it is solvent in general.

**TABLE 4: CORRELATION MATRIX**

Variables	Shareholders' Funds	Net Profit Margin	Current Ratio	Debt-Equity Ratio
Shareholders' Funds	1	0.05	-0.06	-0.77
Net Profit Margin (NPM)	0.05	1	0.73	-0.12
Current Ratio	-0.06	0.73	1	0.46
Debt-Equity Ratio	-0.77	-0.12	0.46	1



**DISCUSSION:** The results show that the debt-to-equity ratio and shareholder equity are significantly inversely related (-0.77). Therefore, a lot less debt is required of businesses with more equity. The net profit margin and the current ratio both show a strong positive correlation of 0.73. So, it seems that more liquid money is associated with higher profitability. The link between shareholders' funds and the current ratio (-0.06) or shareholders' funds and NPM (0.05) are examples of weak associations that show limited correlation between the variables.

## VII. CONCLUSION

In conclusion, a critical part of making wise business decisions is analyzing financial statements. Investors can gain a comprehensive understanding of a company's financial situation and future prospects by analyzing important factors such as its cash flows, profitability, liquidity, and solvency. The system's strengths, weaknesses, and risks that can

compromise its effectiveness in the long run might be discovered through this examination. Investors may better gauge the intensity of market competition and each company's development potential thanks to this feature, which also makes it easier to compare businesses. Decisions can be made with more certainty and less uncertainty when financial analysts use tools like ratio and trend analysis. Also, it helps find exaggerated earnings or other irregularities that can hide a company's true financial situation. In today's volatile market, investors rely on data-driven insights to determine whether to buy, hold, or sell assets. If they want to build wealth over the long term, investors can strengthen their portfolios through financial statement research.

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