

## AN EMPIRICAL ANALYSIS OF FUND MANAGEMENT ANALYSIS AT POWER GENERATION AND INFRASTRUCTURE SECTOR

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### ABSTRACT

*This empirical analysis delves into fund management practices within heavy industries, concentrating on investment strategies, performance evaluation metrics, and risk management techniques. Utilizing a blend of quantitative analysis of financial data and qualitative assessment of managerial decisions, the study investigates the drivers behind fund performance and uncovers optimal practices for enhancing fund management within heavy industrial sectors. The findings provide valuable insights for industry practitioners, offering actionable recommendations to bolster performance and mitigate risks. Additionally, this research contributes to the existing literature on investment management within specialized sectors, enriching our understanding of effective strategies tailored to the unique challenges and opportunities inherent in heavy industries.*

**KEYWORDS:** Fund, Performance, Metrics, Risk.

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### Introduction

In July 1991, the Indian economy encountered a severe crisis characterized by dwindling foreign currency reserves, soaring inflation at an annual rate of 17 percent, and an unsustainable fiscal deficit. This led to a loss of confidence among foreign investors and NRIs, resulting in capital flight and the risk of defaulting on loans. However, India has since undergone a remarkable transformation, emerging as the eleventh largest economy globally by nominal GDP and the fourth largest by purchasing power parity.

In financing company assets, two primary avenues are pursued: increasing owner's equity through share issuance or retained earnings, and expanding creditor's claims through borrowing.

When assessing financial health, both corporate accountants and investors meticulously analyze a company's financial statements and balance sheets to assess profitability. However, raw financial data may not always offer comprehensive insights. Analysts often rely on a range of metrics and financial ratios to measure profitability, including standardized metrics based on generally accepted accounting principles (GAAP) for cross-industry comparability. Additionally, non-GAAP metrics are also commonly employed in financial analysis.

### Statement of Problem

Efficient fund management is paramount for organizational success, shaping financial stability and market positioning. This study endeavors to evaluate an organization's financial soundness and market standing, offering pivotal insights for investors, creditors, and management. By scrutinizing fund management alongside other organizational functions, this research aims to furnish a holistic understanding of the entity's financial well-being, and its prospects for expansion and profitability.

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### Need of Study

This study aims to examine the varied fund management techniques employed by the firm and evaluate the effectiveness of fund utilization within the organization, ultimately impacting its financial performance. The findings from this analysis can serve as a valuable resource of secondary data for prospective research endeavors, providing valuable insights into fund management practices and their impact on overall financial results.

### Objective of Study

The objective of the study is to:

- Assess the impact of liquidity position on the working capital.
- Comprehensively evaluate the fund management practices.
- Scrutinize the sources and allocation of funds within the organization, focusing on their effective and efficient utilization.
- Examine the various sources of funds utilized by the company.

### Review of Literature

**Fernando Ferrer (2012)** emphasized the widespread acknowledgment that the ongoing monetary crisis has intensified global competition among financial institutions. This heightened competition directly impacts how banks manage their clients and strive to achieve their objectives. The effective management of deposits is identified as a key function for enhancing the performance of banks. The profitability and success of banks largely hinge on their financial performance in managing customer deposits.

**Ramchandan Azhagasahi and Sandanvn Gejalakshmi (2012)** examined the impact of deposit management effectiveness and bank size on the financial performance of both public sector and private sector banks. Their findings revealed that banks with higher total capital deposits and assets do not always exhibit better financial performance. The overall financial sector is significantly influenced by factors such as asset utilization, efficiency in fund management, and interest income.

**NutanTroke and P K Pachorkar (2012)** highlighted in their research that private sector banks tend to have a higher proportion of other income in their total revenue compared to public sector banks. Public sector banks, on the other hand, rely more on interest income for their effectiveness and performance. The operational efficiency of private sector banks surpasses that of public sector banks, as private banks leverage their asset quality more effectively than their public counterparts.

**Suppa-Aim and Teerapan (2010)** conducted a study on fund performance in developing markets, focusing specifically on Thailand. Their research delved into the nuances of fund flow dynamics in emerging economies, utilizing comprehensive datasets compared to previous studies. They examined the operational strategies employed by fund managers and their impact on fund performance. The study emphasized the role of fund characteristics in explaining fund performance, shedding light on unique aspects of fund management in Thailand.

**Sawmaya and Ashok Banjara (2009)** introduced an analysis of drawback risk in the Indian reserve market titled "Drawback Hazard Examination of Country Reserve Stream: An Incentive in Danger Approach," employing a VaR measure.

**Dr. Hietesh S. (2009)** conducted a study titled "Asset Activation by Finances Industry," which aimed to analyze the total asset accumulation by the finance sector over a multi-year period. The investigation, titled "Asset Activation by Industry," revealed that the proportion of assets gathered by liquid income funds from the private sector mutual funds decreased from 70 percent to 8.81 percent during the study period.

**Shrad and Tripathi (2006)** conducted a study titled "**Attributes and Execution Assessment of Selected Mutual Funds in Rural Areas**," examining a sample of mutual funds supported by both the public and private sectors. The research aimed to analyze differences in the level of asset holdings, portfolio diversification, and the impact of 38 factors on investment for the period from May 2002 to May 2005.

**Nalini Prava Tripathy (2005)** investigated the market timing abilities of Indian fund managers using two models: one by Treynor and Mazuy, and the other by **Henriksson and Merton**. The findings indicated that Indian fund managers were unable to accurately time the market. Only one scheme out of 31 demonstrated the timing ability of the fund manager.

**Research Methodology**

**Research Design:** Descriptive research design

**Data Description:** Secondary data from financial statements for the years 2016 to 2021

**Tools and Techniques:** The data for a period of 5 years 1 from 2016-17 to 2020-21 has been taken into consideration assess the financial strength and weaknesses of the company.

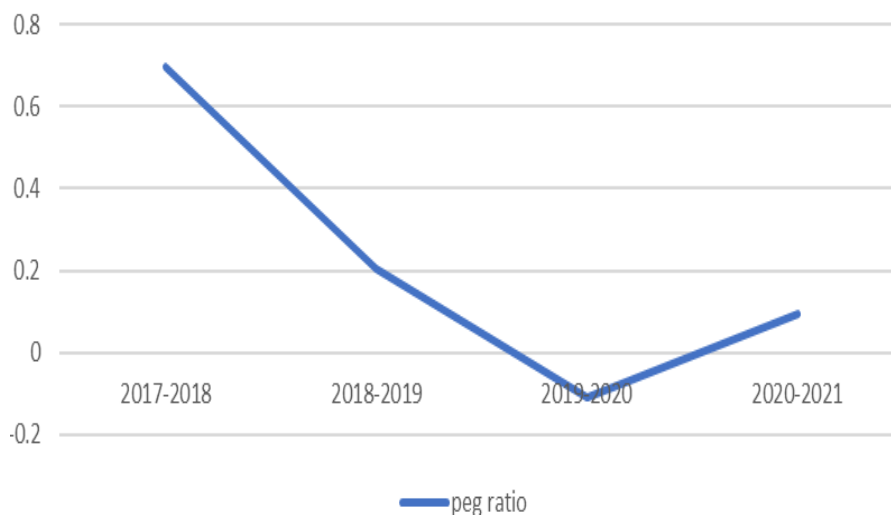
- PEG Ratio
- Debt equity ratio
- Working capital ratio
- Proprietary ratio

**Data Analysis and Interpretation**

**PEG Ratio**

Year	P/E	EGR	Peg Ratio
2017-2018	0.644	0.924	0.696
2018-2019	0.619	3.046	0.203
2019-2020	0.569	-5.164	-0.110
2020-2021	0.356	-3.815	0.0933

**PEG RATIO ANALYSIS**

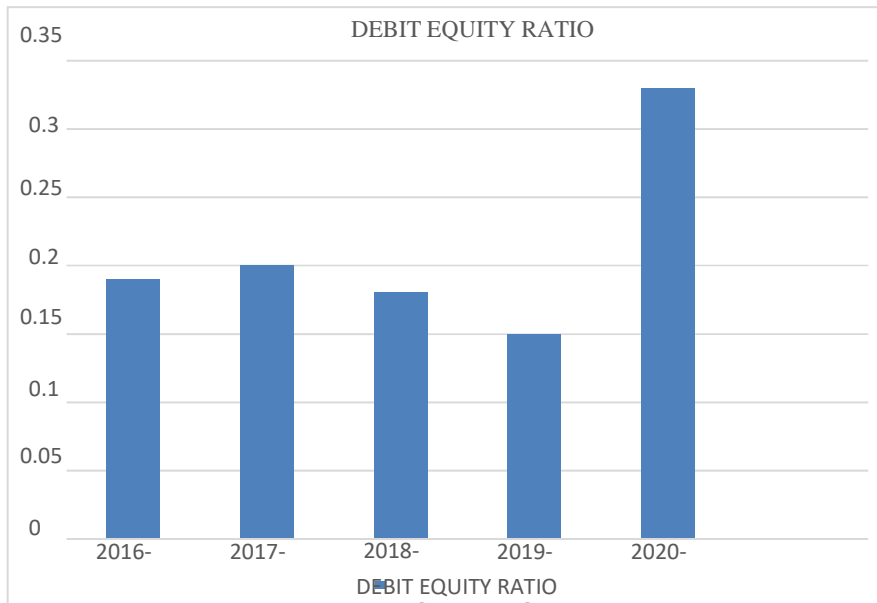


**Interpretation**

The analysis of the table reveals that in the fiscal year 2017-2018, the PEG ratio stands at 0.696, indicating a more favorable valuation. However, in subsequent years (2018-2019, 2019-2020, and 2020-2021), the PEG ratio dips below 1, suggesting potential undervaluation and other underlying issues. Specifically, in 2018-2019, the PEG ratio is 0.203, while in 2019-2020 and 2020-2021, it further decreases to (0.110) and (0.0933) respectively, reinforcing the perception of undervaluation and potential concerns.

**Debt Equity Ratio**

Year	Long Term Debt	Shareholders Funds	Ratio
2016-2017	435.71	21813.55	0.19
2017-2018	445.22	2200.23	0.20
2018-2019	401.96	2187.24	0.18
2019-2020	339.19	2257.15	0.15
2020-2021	743.34	2224.45	0.33

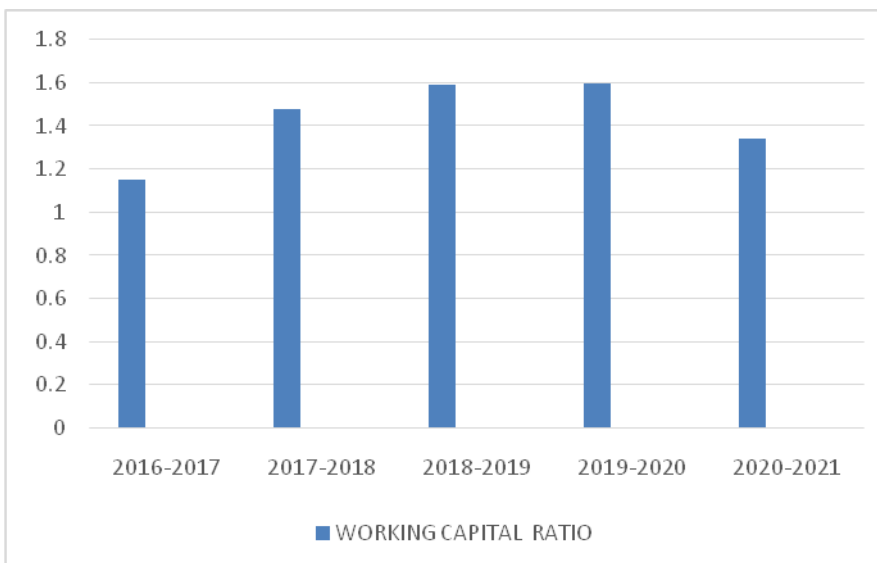


**Interpretation**

The analysis of the chart depicting the debt equity ratio reveals a clear trend line indicating an increasing trend in the upcoming years. Notably, the company exhibited a decreasing trend in the debt-to-equity ratio from 2016-2017 to 2019-2020, suggesting a transition towards greater reliance on equity financing and potentially enhanced financial stability.

**Working Capital Ratio**

Year	Working Capital	Sales	Ratio
2016-2017	2181.55	2498.81	1.15
2017-2018	2200.23	3245.55	1.48
2018-2019	2187.24	3481.06	1.59
2019-2020	2224.45	3557.21	1.60
2020-2021	2257.15	3028.82	1.34

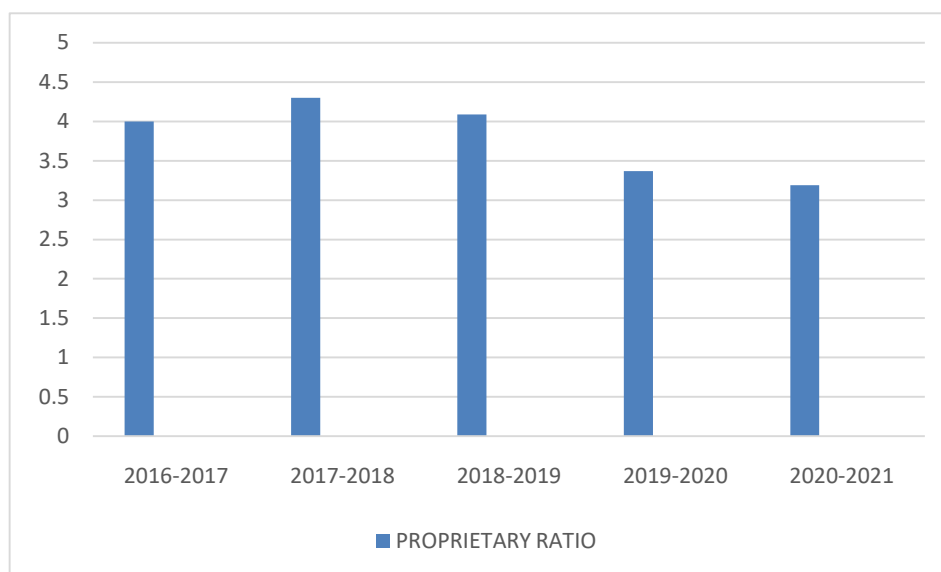


**Interpretation**

The analysis of the chart illustrating the working capital ratios reveals a trend line indicating an expected decrease in the upcoming years. Notably, the working capital ratio demonstrated a generally positive trend from 2016-2017 to 2019-2020, signifying enhanced liquidity over this period. However, there is a slight decline in 2020-2021, hinting at a potential liquidity challenge despite maintaining a reasonable ratio. Further investigation into the underlying reasons for this decrease would be advisable to address any emerging issues effectively.

**Proprietary Ratio**

Year	Net Worth	Total Asset	Ratio
2016-2017	12046.65	3015.89	4.00
2017-2018	13135.53	3053.30	4.30
2018-2019	12393.53	3029.43	4.09
2019-2020	12511.84	3704.58	3.37
2020-2021	13473.00	4222.23	3.19



**Interpretation**

The analysis of the table suggests a general increase in net worth over the years. However, the proportion of assets owned outright compared to the total assets has declined. This trend may signify either an increase in liabilities or investments in assets that do not directly contribute to immediate net worth. Further investigation is warranted to comprehend the specific factors driving these changes and their implications for the entity's financial health and strategic direction.

**Findings**

The PEG ratios for 2019-2020 and 2020-2021 stand at (0.110) and (0.0933) respectively, indicating potential undervaluation and other underlying issues warranting further examination.

The company's debt-equity ratio has shown an increasing trend over the years, reaching its highest level in the most recent period. This suggests heightened financial risk and emphasizes the need for vigilant monitoring and robust risk management strategies.

Despite generally favorable working capital ratios over the years, the slight decrease in 2020-2021 warrants attention to ensure adequate liquidity for meeting short-term obligations.

The proprietary ratio reflects the proportion of assets funded by shareholders' equity, with a higher ratio indicating lower financial risk. Conversely, a lower ratio may suggest higher leverage and increased financial risk, highlighting the importance of maintaining a balanced capital structure.

### Suggestions

The company should conduct a comprehensive analysis to uncover the reasons behind the potential undervaluation indicated by the PEG ratio. This analysis may involve reevaluating growth prospects, market dynamics, and competitive positioning to address underlying issues effectively.

With the reversal in the decreasing trend of the debt-equity ratio, it's imperative for the company to closely monitor its debt levels. Assessing the impact on financial stability and risk is crucial. Exploring opportunities to optimize the capital structure and manage debt effectively should be considered.

Develop robust cash flow forecasting models to anticipate short-term liquidity needs proactively. Identify potential cash flow gaps in advance and update cash flow projections regularly based on sales forecasts, operating expenses, and capital expenditure plans. This ensures adequate working capital coverage and enhances liquidity management.

Implement regular monitoring and review processes to track changes in the proprietary ratio. Assess the effectiveness of implemented strategies and adjust financial management practices accordingly. Adapting to evolving market conditions will optimize the company's financial position and mitigate risks effectively.

### Conclusion

Effective management of equipment importation entails a chain of integrated tasks. A streamlined process flow necessitates thorough documentation to ensure clarity of responsibility among involved agencies. Internal controls play a pivotal role in facilitating smooth and timely compliance with statutory requirements, ensuring document integrity. Through my study, I aim to analyze the intricacies of equipment import activities, establishing linkages among agencies to minimize lead time in the process. By identifying bottlenecks and optimizing coordination, the study endeavors to enhance efficiency, reduce delays, and promote cost-effectiveness in equipment importation procedures. This research aims to offer valuable insights into improving the import process, ultimately contributing to enhanced operational performance and competitiveness in the global market.

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