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A STUDY ON SHAREHOLDERS' WEALTH MAXIMIZATION OF MUTHOOT FINANCE LIMITED

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Abstract
Shareholders wealth maximization is the attempt by business managers to maximise the wealth of the firm. In this article, we suggest necessary steps to enlarge Muthoot Finance company's wealth. To make our case, we used capital structure and trend analysis. Their problem is uncontainable expenses. For that we gave suggestions regarding the maintenance of expenses in a proper way. Finally, the suggestions are offered to improve the wealth of the company.

Keywords: Ratio Analysis and Wealth Maximization.

Introduction
Wealth maximization is a modern approach to financial management. Maximization of profit is used to be the main aim of a business and financial management till the concept of wealth maximization came into being. It is a superior goal compared to profit maximization as it takes broader arena into consideration.

It is defined as the present value of the expected future returns to the owners of the firm. These returns can take the form of periodic dividend payments and/or proceeds from the sale of the stock.

Shareholders wealthy maximization is the attempt by business managers to maximize the wealth of the firm they run, which results in rising stock prices that increases the net worth of shareholders

Company Profile
Muthoot Finance Limited is an Indian financial corporation. It is known as the largest gold financing company in the world. In addition to financing gold transactions, the company offers foreign exchange services, money transfers, wealth management services, travel and tourism services, and sells gold coins at Muthoot Finance Branches. The company's headquarters are located in Kerala, India, and it operates over 4,400 branches throughout the country. Outside India, Muthoot Finance is established in the UK, the US, and the United Arab Emirates. While the company falls under the brand umbrella of the Muthoot Group, its stocks are listed on the Bombay Stock Exchange (BSE) and NSE. As of March 2012, revenue (after expenditure) stood at more than Rs. 23,000 crore ($4.2 billion). The target market of Muthoot Finance includes small businesses, vendors, farmers, traders, SME business owners**,** and so on.

Statement of the Problem
Shareholders are the anonymous title holder of the company. They have an influential part in company's wealth. Shareholders tend to show interest only when the wealth of the company is at its maximum. Eventually, the shareholders wealth increases proportionate to the increase in the wealth of the company. When the company's wealth is maximized, it is benifited for the shareholders. Muthoot Finance is one of the trusted finance diversified brand in the country. They are specially designed for the working for the wealth of the shareholder. They also have an option for trading in online platforms offered by banking instutions. On those crucial grounds we make choice to designate a project on this company.

Scope of the Study
This study mainly attempts to analyse the financial performance of the company. The present study develops a financial analysis for owner's equity and its development. The study forecast to evaluate how to increase the company profit.

Objectives of the Study
1. To analyse the profit ratio and dividend ratio of the company.
2. To study the financial position of the business using ratio analysis

Tools Used: Ratio analysis

Literature Review
Bernard Sharfman[1] has done a study on shareholder wealth maximization and its implementation under corporate law. The article takes a very traditional approach he analysed with an approval that codes have historically been very hesitant to

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participate in the process of determining if a corporate decision is wealth maximizing, the creation and application of corporate law involves an enduring struggle to find the optimal amount of decision making in the context of a maximizing share holder wealth.[1]

R. Muruga ganesh, **Dr**. **A. Somu** and **V. Mathivathani**[2] has done a research on a comparative study on wealth maximization in selected automobile industries. The problem taken for this research is that due to the fluctuations in the market price of shares. It is essential to measure the wealth created by the organisation. In this research six financial tools have been used to analyse the data. Finally, based on the analysis the researcher has compared wealth creations on selected organisations and suitable suggestion have been given to the selected organization and also for the investors. [2]

Research Methodology: Data obtained secondary data collected from website.
Period of the Study: The period of study is from 2012 to 2016(5 Years).

Analysis and Interpretation
Ratio Analysis
A ratio analysis is a quantitative analysis of information contained in a company's financial statements. Ratio analysis is based on line items in financial statements like the balance sheet, income statement and cash flow statement; the ratios of one item – or a combination of items - to another item or combination are then calculated. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency. The trend of these ratios over time is studied to check whether they are improving or deteriorating. Ratios are also compared across different companies in the same sector to see how they stack up, and to get an idea of comparative valuations. Ratio analysis is a cornerstone of fundamental analysis .

1.1 Earnings Per Share
Earnings per share (EPS) are the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.
Calculated as,**Earnings per share = Residual earnings/ Number of equity shares**

Residual earnings = Earnings after tax – preference dividend
Number of equity shares = Equity capital / Face value/ share

Table 1.1

year	Residual Earnings	No of Equity Shares	Earnings Per Share
2011-2012	892.02	37.171	23.99
2012-2013	1004.24	37.171	27.02
2013-2014	780.07	37.171	20.98
2014-2015	670.52	39.8	16.84
2015-2016	809.55	39.9	20.29

[source :www.profit.ndtv.com]
This ratio is experiencing a fluctuating trend over the years. It is high in the year 2012 with 23.99 and increases till 2013 and declines from 2014 to 2016. This depicts the company's profitability position which shows considerable rate of profit till 2013 and declines till 2015 and becomes stable in 2016.

Chart 1.1

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2. Dividend per Share

Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding. Dividend per share is the total dividends paid out by a business, including interim dividends, divided by the number of outstanding ordinary shares issued. A company's dividend per share is usually derived using the dividend paid in the most recent quarter, which is also used to calculate the dividend yield. Dividend per share can be calculated by using this formula:

Dividend per share = Total equity dividend / Number of equity shares

Table 1.2

year	Total equity dividend	Number of equity shares	Dividend per share
2011-2012	40	371.71	0.11
2012-2013	45	371.71	0.12
2013-2014	60	371.71	0.16
2014-2015	60	397.97	0.15
2015-2016	60	399	0.15

[source :www.profit.ndtv.com]

This ratio is experiencing an increasing trend over the years. It is lower in the year 2012 with 0.11 and has stable increase till 2014 with 0.16 and becomes stable in 2015 and 2016. This shows that the company's performance in increasing the shareholders wealth.

Chart 1.2

3. Capital Employed Ratio

Capital employed is presented as deducting the current liabilities from the current assets. It can be defined as equity plus loans which are subject to interest. To define it properly, capital employed can be expressed as the total amount of capital that has been utilised for acquisition of profits. It also refers to the value of all assets (fixed as well as working capital) employed in a business.

Calculated as:**Capital employed ratio = EBIT / Equity + debt**

Table 1.3

year	EBIT	Equity+Debt	Capital employed Ratio
2011-2012	3736.52	18966	0.19
2012-2013	4380.21	19834.1	0.22
2013-2014	3870.67	19849.3	0.19
2014-2015	3219.96	24452.4	0.13
2015-2016	3633.83	19748.1	0.18

[source :www.profit.ndtv.com]

This ratio follows fluctuating trend. It differs to the negligible value which is common in financing sectors. As a result of this, the capital employed has increased towards forthcoming years from 2012 which is a appreciable position for the firm and the debts are consistently reducing with reference to capital.

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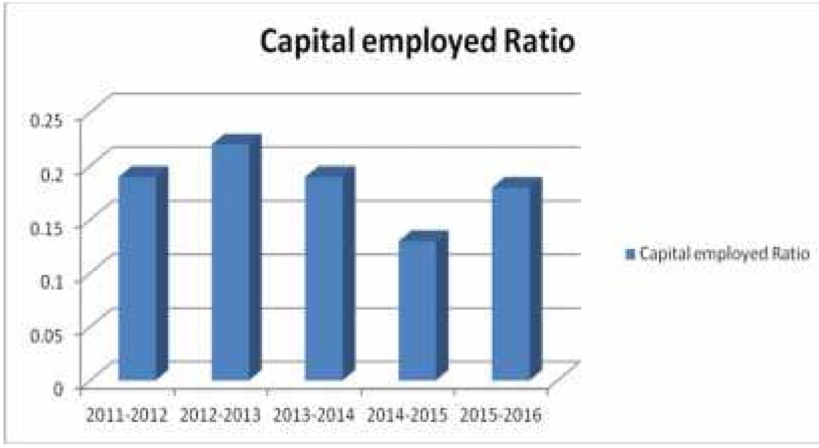
Chart 1.3



4. Price Earnings Ratio

The price earnings ratio (often shortened to the P/E ratio or PER) is the ratio of a company's stock price to the company's earnings per share. This ratio is used in valuing companies.

Calculated as:

Price earnings ratio = Market price per share / Equity per share

Table 1.4

year	Market price per share	Equity per share	Price Earnings ratio
2011-2012	269.7	23.99	**11.24**
2012-2013	301.55	27.02	**11.16**
2013-2014	359.2	20.98	**17.12**
2014-2015	267	16.84	**15.85**
2015-2016	289.05	20.29	**13.88**

[source :www.profit.ndtv.com]

This ratio shows a fluctuating trend over the years. It is increasing till 2014 from 11.24 to 17.12 and declines to 13.88 in 2016. This enumerates that the price earnings ratio is decreasing. The firm's market value has been increasing in comparison to the earnings per share. This shows that the company is active in the market at present.

Chart 1.4

Finding

The value of EPS is fluctuating over the years. It has been increasing in the year 2012&2013. And then it started decreasing in the year 2014. The value of dividend per share has been increased gradually over the years. The value of working capital and over all share capital of the company is increasing for the past 5 years.

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Suggestions

The company is not in a good condition. The company should have more residual earnings in order to increase the value of earnings per share. The profit of the company should be maximized, and this can be done by issuing more number of attractive plans. Even though to promote the investment, the company is giving high percentage of dividend to their shareholders, but they are lacking to increase the profit of the firm. This can be done by reducing their operating expenses.

Conclusion

The company concentrates on the wealth maximization of the concern, in muthoot finance the wealth of the company is good at the year 2013, but in 2016 due to decrease in the value of profit and increase in the value of dividend rate the wealth is minimised. If the company takes necessary measures to overcome the problem of operating expenses and concentrate on the maximization of profit the company will have a good iniative.

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