

# An Analysis of Financial Measures on Stock with reference to Butterfly Gandhimathi Appliance Ltd

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**Abstract-** *This study analyzes the relationship between financial performance and stock behavior of Butterfly Gandhimathi Appliances Ltd, over the period 2019-2024. This research is motivated by the need to bridge the gap between financial metrics and investors' decision-making. Key financial ratios such as EPS, ROE, GPR, and Dividend yield are examined to understand their influence on stock price trends. The main objective of the study is to assess the company's earnings potential and its consistency over time and to provide basic insights for investors and analysts. This encompasses a variety of decisions including capital budgeting, financing, dividend distribution, and liquidity management. The results highlight declining profitability despite improving liquidity and debt reduction. This divergence emphasizes the need for balanced financial strategies to sustain investors' confidence. The findings aim to support stakeholders, especially investors and analysts, in making informed decisions based on financial indicators linked to stock valuation.*

**Keywords-** Financial ratios, stock behavior, investor analysis, market valuation, insights, earning potential, debt reduction, butterfly Gandhimathi, and profitability.

## I. INTRODUCTION

In an era of rapidly evolving financial markets and increased investor awareness, the ability to understand and analyze a company's financial health has become critical for stakeholders. Financial management plays a central role in ensuring that an organization utilizes its resources efficiently to achieve sustainable profitability and shareholder value. This encompasses a variety of decisions, including capital budgeting, financing, dividend distribution, and liquidity management.

The stock market is a barometer of economic performance, and investors' attitudes as to anticipate price development in a market. Companies listed on stock exchanges such as BSE, NSE must demonstrate sound financial practices, as their market valuation is closely tied to

their operational performance and financial disclosures. In this context, financial ratios serve as essential tools for evaluating a company's performance. This research aims to explore how financial indicators not only serve as internal benchmarks of operational success but also shape market perception and valuation.

## II. INDUSTRY PROFILE

The Indian home appliances industry is a rapidly growing segment within the consumer durables sector, driven by rising disposable incomes, urbanization, lifestyle changes, and increased demand for convenience. It encompasses a wide range of products, including kitchen appliances, home comfort appliances, and electrical products. India ranks among the top manufacturing hubs in the world for household appliances, with domestic demand supported by a growing middle-class population

## III. COMPANY PROFILE

Butterfly Gandhimathi Appliances Ltd, founded in 1986 and headquartered in Chennai, is a leading Indian manufacturer of kitchen and home appliances. The company operates primarily in the domestic kitchen appliance segment and enjoys strong brand recognition, especially in South India. It was listed on the Bombay Stock Exchange and became a subsidiary of Crompton Greaves Consumer Electricals Ltd in 2022, enhancing its strategic market positioning. With over three decades of manufacturing experience and a robust distribution network, Butterfly has built a loyal consumer base.

## IV. REVIEW OF LITERATURE

Global studies from 2019-2024 are reviewed, illustrating how financial ratios like ROA, RoE and liquidity measures correlate with stock performance across various sectors and countries. The literature consistently underscores the predictive power of profitability ratios on stock returns.

Candio, p (2024), investigating european healthcare companies, this research examines the impact of financial ratios on stock performance. The study finds that profitability and efficiency ratios are strong predictors of stock returns, while liquidity and leverage ratios have less consistent effects across different countries.

AlAli, M., AlAskar, I. T., & Aboualhasan, H. S. (2024), iInvestigating firms in the Middle East, this research examines how financial ratios affect stock performance. The study highlights that ROE and net profit margin are strong predictors of stock returns, whereas high leverage ratios tend to negatively influence stock performance.

Cuervo, R. (2023), focusing on Latin American markets, this research examines how financial ratios affect stock performance. This study highlights that ROE and net profit margin are strong predictors of stock returns, whereas high leverage ratios tend to negatively influence stock performance

## V. OBJECTIVES

To analyze the financial ratio and its impact on stock prices in reference to Butterfly Gandhimathi Appliances Ltd.

To measure the profitability and investors return.

To analyze the shareholders return and its relation to stock price performance.

To assess the company's earnings potential and its consistency over time.

To provide insights for investors and analysts.

## VI. RESEARCH METHODOLOGY

The study adopts a mixed research approach which allows to gain more comprehensive and nuanced understanding of a research problem by leveraging the strengths of both quantitative and qualitative analysis.

The study is based on the secondary data collected from the company's annual report, ranging from 2019 to 2024. The tool utilized in the study is Ratio analysis.

### FINANCIAL METRICS USED

EARNINGS PER SHARE is an indicator of how much profit a company is generating for each outstanding share of its stock.

PRICE-TO-EARNINGS RATIO is an indicator of how much investors are willing to pay for each unit of earnings, helping to assess a company and investors' expectations

DEBT-TO-EQUITY RATIO is a measure of a company's financial leverage and can provide insights into the level of risk associated with its capital structure.

GROSS PROFIT MARGIN measures a company's efficiency in producing goods and services to its revenue generation which showcases how well a company manages its production costs

The CURRENT RATIO plays a significant role in measuring the ability of the company to pay off its immediate liabilities with its current assets.

### PERIOD OF THE STUDY

The study focuses on the financial year from 2019-20 to 2023-24

### FINANCIAL DATA

Balance sheet, profit and loss account, cash flow statement, equity statement.

## VII. FINDINGS

The findings of the study highlight that Butterfly Gandhimathi Appliances Ltd has established a moderately strong financial foundation, supported by consistent improvements in liquidity and reduced financial leverage. Over the five years from 2019-20 to 2023-24, the company has demonstrated prudence in managing its short-term obligations, as reflected by an upward trend in both current and quick ratios. These indicate that the firm has taken significant steps to strengthen its working capital management and overall liquidity position. At the same time, the company has gradually lowered its debt-to-equity ratio, indicating a reduction in dependency on external borrowings, which enhances its financial stability in the long term. The study also reveals the challenges in terms of profitability. Key performance indicators such as EPS and ROE show a declining trend, suggesting reduced returns to shareholders and weakened operational efficiency. Furthermore, the company's dividend yield has been highly inconsistent, which may lead to uncertainties in investor expectations and diminish its attractiveness to income-focused investors. Despite these concerns, the use of financial measures and transparent disclosures helps reinforce the company's financial credibility. Overall, while the company shows signs of financial resilience through enhanced liquidity and reduced leverage, it needs to address the declining profitability and dividend consistency to improve market valuation and investor trust.

## VIII. ANALYSIS

### LIQUIDITY RATIO

The financial performance of Butterfly Gandhimathi Appliances Ltd from 2019-20 to 2023-24 reflects a mixed outlook marked by financial prudence in liquidity and capital structure, but weakening profitability indicators. The consistent improvement in liquidity ratios such as the current ratio and quick ratio indicates the company's strong capability to meet short-term liabilities. This can be interpreted as an outcome of effective working capital management and prudent control over current liabilities. A current ratio consistently above 1.5 and a quick ratio reaching 1.0 by 2023-24 demonstrate enhanced short-term financial strength.

#### DEBT-TO-EQUITY RATIO

The declining debt-to-equity ratio—from 26.34 in 2020-21 to 13.63 in 2023-24, signals a conscious effort by management to reduce financial risk and reliance on external borrowings. This indicates improved long-term financial solvency and a conservative financing approach that strengthens the company's financial base.

#### PROFITABILITY METRICS

Profitability metrics, including Earnings per Share (EPS) and Return on Equity (ROE), display a downward trajectory. EPS dropped significantly from 3.53 in 2019-20 to just 0.03 in 2023-24, highlighting declining net income per share and raising concerns about the company's earnings generation. Similarly, ROE, which peaked at 202.23% in 2020-21, fell to 41.33% by 2023-24, signaling a reduced return on shareholders' equity and operational inefficiency.

Gross Profit Ratio (GPR), another key measure, fluctuated sharply, reaching 7.61% in 2022-23 before plummeting to 0.60% in 2023-24. This suggests inconsistent cost control or pricing strategies. Additionally, Dividend Yield ratios showed erratic behavior, with high values in 2020-21 and 2021-22, followed by zero dividends in subsequent years, undermining investor confidence and weakening shareholder value creation. The disparity between improved liquidity and declining profitability suggests that the company may be prioritizing solvency and financial stability over aggressive growth or investment in high-margin opportunities. To regain investor confidence and improve stock valuation, the company must adopt strategies that boost revenue, control costs, and ensure more predictable shareholder returns.

Overall, the analysis indicates that while Butterfly Gandhimathi has demonstrated resilience through sound liquidity and capital management, strategic shifts are needed in its operational and profitability outlook to deliver sustained value to shareholders.

## IX CONCLUSION

This study offers a comprehensive evaluation of the financial health of Butterfly Gandhimathi Appliances Ltd through the lens of critical financial ratios over five years from 2019 to 2024. The results underscore a company that has made commendable progress in enhancing its liquidity and reducing financial leverage, thereby strengthening its short-term solvency and overall financial stability. However, these improvements are offset by a consistent decline in profitability metrics, such as EPS and ROE, and an irregular pattern in dividend distributions, which together pose a challenge to investor confidence and long-term value creation.

The gap between financial stability and weakened earnings performance suggests the need for a strategic recalibration of operational priorities. The findings imply that while the company is effectively managing its resources and financial obligations, it must turn its focus toward revenue generation, cost efficiency, and consistent shareholder returns.

In conclusion, Butterfly Gandhimathi Appliances Ltd stands at a financial crossroads where its strong liquidity and debt management must be complemented with revitalized efforts to enhance profitability. By aligning operational efficiency with investor expectations, the company can reinforce market credibility and achieve balanced, sustainable financial performance.

## X. LIMITATIONS

The study may be based on historical financial data of Butterfly Gandhimathi Appliances Ltd, which might not necessarily reflect current market conditions.

The study focuses on five years, ranging from 2019 to 2014. External factors may not be directly captured by the financial ratios and their impact might not be adequately reflected in the study.

The study focuses only on quantitative ratios without incorporating qualitative factors such as brand reputations, customer loyalty.

## XI. RECOMMENDATIONS

Implement cost-cutting measures across procurement, production, and logistics to lower the Cost of Goods Sold (COGS) without compromising quality

The significant decline in Earnings per Share reflects weakening profitability and shareholder value. Streamlining operations and improving margins can contribute to higher net income and, therefore better EPS.

The Dividend Yield Ratio has shown extreme fluctuations. Establishing a stable and predictable dividend policy can improve investor sentiment, especially among income-focused shareholders. Introduce a pay-out ratio to ensure sustainability during both strong and weak years.

High leverage can lead to significant interest obligations. Negotiating better interest rates or exploring alternative financing can ease this burden

Include Environmental, Social, Governance initiatives in reports to attract institutional investors focused on sustainable growth.

These findings suggest the need for better cost control, consistent dividend policy, and reduced debt dependency to stabilize and enhance overall financial performance.

## **XII ACKNOWLEDGMENT**

I express my sincere gratitude to Dr. R. Jayadurga, Assistant Professor, and Dr. S. Sara, Head of the Department of Management Studies, Prince Shri Venkateshwara Padmavathy Engineering College, for their valuable guidance and support throughout this study. I also extend my gratitude to Butterfly Gandhimathi Appliances Ltd for the internship opportunity and practical insights that greatly contributed to this research.

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