

A Study on Financial Performance Analysis With Reference To Sri Ganapathy Polymers, Puducherry

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Abstract- *The study titled “Financial Performance Analysis with Reference to Sri Ganapathy Polymers, Puducherry” investigates the financial soundness, profitability, liquidity position, and overall operational efficiency of the organisation. The primary objective is to analyse the financial statements for a selected period using tools such as Ratio Analysis, Comparative Financial Statements, and Common Size Statements. The study is based on secondary data collected from annual reports, audited statements, and relevant journals. The findings reveal the strengths and weaknesses in the company’s financial performance and highlight areas requiring managerial attention. The results support better strategic decision-making in financial planning, investment, and cost control. The study concludes that systematic financial analysis is essential for ensuring the long-term stability and competitiveness of Sri Ganapathy Polymers*

Keywords- Financial Performance, Ratio Analysis, Profitability Analysis, Liquidity Position, Solvency Ratios, Comparative Financial Statements and Common Size Statement

I. INTRODUCTION

Financial performance analysis is a crucial tool used to evaluate the overall health, stability, and efficiency of a business organisation. It involves the systematic examination and interpretation of key financial statements such as the balance sheet, income statement, and cash flow statement to assess profitability, liquidity, solvency, and operational efficiency. The primary objective of financial performance analysis is to determine how effectively a company utilises its financial resources to generate profits and sustain long-term growth. In today’s highly competitive business environment, this analysis has become essential for ensuring financial discipline, strategic planning, and informed decision-making. Financial statements act as a mirror that reflects the operational results and financial condition of an organisation. Through the analysis of these statements, stakeholders—including management, investors, creditors, and regulatory agencies—can evaluate whether the firm is performing satisfactorily. Analytical tools such as ratio analysis, trend

analysis, common-size statements, and comparative financial statements help transform complex financial data into meaningful insights. These tools enable a better understanding of a company’s earning capacity, financial stability, and future growth potential.

Objectives of the study

1. To study the financial position of the company over the past five years.
2. To analyze the Profitability position of the company.
3. To Evaluate the Liquidity and Solvency position of the company.

II. REVIEW OF LITERATURE

Shaikh Salman Masood (2023), in his study “Financial Statement Analysis of Motherson Limited” for the years 2017–2019, observed unusually high levels of debt and highlighted the firm’s inability to meet contractual obligations. Among the three years analysed, 2017 recorded the highest current and quick ratios, indicating strong liquidity which declined in the subsequent years. The author also noted that although microfinance institutions achieve high repayment rates despite information asymmetry and limited liability, these repayments rarely translate into profitability.

Bhupender Kumar Som and Himanshu Goel (2023), in their journal “Ratio Analysis: A Study on Financial Performance of Motherson”, examined the financial performance of the company from 2016–2020. Their results revealed that the Return on Capital Employed (ROCE) and Net Worth were at significantly low levels, raising concerns about the company’s financial strength. The current ratio was particularly alarming for investors due to its direct influence on financial stability.

Biswajit Rout, Abinash Dash, and Baisali Das (2022), in their study “A Study on Financial Statement Analysis of Maruti Suzuki India Limited Company”, analysed financial performance from 2009–2019 and concluded that the company’s growth has been largely positive. Net Sales and

Net Profit demonstrated a steady upward trend. Another study evaluated financial performance in the food distribution industry using DuPont analysis, focusing on ROE and ROI to understand profitability determinants.

Sudarshan Kumar (2021), in his article “A Study on Evaluation of Financial Performance of Maruti Udyog Ltd.”, highlighted the company’s continuous innovation and technological advancement as key drivers of competitive advantage. The study emphasised Maruti Suzuki’s commitment to research and development, enabling the production of environmentally friendly vehicles.

MD Qamar Azam and MD Abrar Alam (2020), in their research “Financial Ratios and Analysis of Motherson Ltd.”, found that Tata Motors’ Z-score ranged between 0.71 and 2.44, with the lowest score in 2015, indicating potential financial distress. The company consistently showed negative working capital relative to total assets.

Dr. M. Ravichandran (2020) stated that financial performance can be assessed through profitability ratios, solvency ratios, and comparative statements. The study found that the company analysed had sufficient funds to meet liabilities, along with steadily increasing sales and profits.

GopinathanThachappilly (2020), in his work on Financial Ratio Analysis for Performance Evaluation, emphasized that financial ratios help investors and analysts interpret complex financial statement data. The study addressed multiple categories of ratios, including profitability, liquidity, debt, and investment ratios.

Gopinathan (2018) further reiterated the importance of liquidity ratios in ensuring good financial health. A firm may be profitable yet still face short-term financial distress if funds are tied up in inventories or receivables.

Bismark Maka and Dr. N. Suresh (2018), in their article “Review of Financial Performance Analysis of Corporate Organizations”, found that financial analysis using internal KPIs such as current ratio, quick ratio, net profit margin, and working capital ratio significantly supports decision-making related to planning, budgeting, and investment.

Jo Nelgadde (2018), in his thesis, examined asset management ratios and their importance in evaluating accounts receivable and working capital performance. He identified two key ratiosaccounts receivable turnover and average collection periodused to assess changes in financial operations.

James Clausen (2018), in his article, discussed the role of liquidity ratios in financial decision-making. Liquidity analysis, he noted, is frequently used by investors and lenders to evaluate a firm’s ability to meet short-term obligations. Poor liquidity ratios may deter investment. The study referenced prior research indicating that financial institutions aim to maximise returns while minimizing risk.

III. RESEARCH METHODOLOGY

Research Meaning: Research methodology refers to the systematic procedures, techniques, and tools used to identify, select, process, and analyse information relevant to a research problem. It provides the framework through which a study’s validity, reliability, and accuracy can be assessed.

Research Design: Research design is the structured framework that guides the selection of research methods and procedures used to conduct the study. It determines the type of research approachdescriptive, analytical, survey-based, experimental, correlational, or case study—and outlines the plan for data collection, measurement, and analysis.

Method of Data Collection: Data collection refers to the systematic gathering of information required to achieve the objectives of the research. For this study, only secondary data has been used.

Tools Used for Analysis: Financial analysis tools are essential for assessing a company’s financial health and performance. The present study employs the following analytical tools. Comparative Statement Analysis, Common Size Statement Analysis and Ratio Analysis (Current Ratio, Quick Ratio, Return on Equity, Gross Profit Ratio, Net Profit Ratio and Equity Ratio).

IV. DATA ANALYSIS AND INTERPRETATION

4.1COMPARATIVE BALANCE SHEET OF SRI GANAPATHY POLYMERS FOR THE YEAR 2020–2021

| Balance Sheet of SriGanapathy Polymers Company (in Rs. Lahks) | Mar-20 | Mar-21 | Absolute change | Percentage Change |
|---|--------|--------|-----------------|-------------------|
| ASSETS | | | | |
| Cash And Cash Equivalentents | 7000 | 20000 | 13000 | 6500.00 % |
| Trade | 200000 | 400000 | 200000 | 5000.00 |

| Receivables | | | | % |
|-------------------------------|----------------|----------------|---------------|------------------|
| Tangible Assets | 270000 | 413000 | 143000 | 3462.47 % |
| Inventories | 647000 | 668000 | 21000 | 314.37% |
| Short Term Loans and Advances | 96000 | 70000 | -26000 | - 3714.29 % |
| Non-Current Investments | 1000 | 1000 | 0 | 0.00% |
| Long Term Loans and Advances | 460000 | 431000 | -29000 | -672.85% |
| Fixed Assets | 270000 | 413000 | 143000 | 3462.47 % |
| Total Assets | 1951000 | 2416000 | 465000 | 1924.67 % |
| LIABILITIES | | | | |
| Shareholders' Funds | 898000 | 796000 | -102000 | - 1281.41 % |
| Non-Current Liabilities | 544000 | 572000 | 28000 | 489.51% |
| Current Liabilities | 509000 | 1048000 | 539000 | 5143.13 % |
| Total Liabilities | 1951000 | 2416000 | 465000 | 1924.67 % |

Interpretation:

From the above table the company has expanded its asset base through higher receivables and fixed asset investments, but rising current liabilities and falling shareholders' funds signal higher financial risk and weaker solvency, despite growth in operations.

4.2 CURRENT RATIO

| Year | Current Assets | Current Liability | Current Ratio |
|------|----------------|-------------------|---------------|
| 2020 | 949000 | 509000 | 1.86 |
| 2021 | 1157000 | 1048000 | 1.10 |
| 2022 | 1408000 | 1157000 | 1.22 |
| 2023 | 1277000 | 748000 | 1.71 |
| 2024 | 1185000 | 818000 | 1.45 |

Interpretation:

From the above table the current ratio analysis indicates fluctuations over the years, with a low of 1.10 in 2021 and an improvement to 1.71 in 2023, reflecting better short-term solvency. However, the decline to 1.45 in 2024 suggests the need for stronger liquidity management to maintain financial stability.

4.3 COMMON SIZE BALANCE SHEET OF SRI GANAPATHY POLYMERS FOR THE YEAR 2022-2023

| Balance Sheet of Sri Ganapathy Polymers Company (in Rs. Lakhs) | Mar-22 | Percentage | Mar-23 | Percentage |
|--|----------------|----------------|----------------|----------------|
| ASSETS | | | | |
| Cash And Cash Equivalents | 50000 | 1.58% | 47000 | 1.46% |
| Trade Receivables | 406000 | 12.84% | 405000 | 12.58% |
| Tangible Assets | 909000 | 28.74% | 1110000 | 34.48% |
| Inventories | 884000 | 27.95% | 719000 | 22.34% |
| Short Term Loans and Advances | 66000 | 2.09% | 105000 | 3.26% |
| Non-Current Investments | 1000 | 0.03% | 8000 | 0.25% |
| Long Term Loans and Advances | 768000 | 24.28% | 720000 | 22.37% |
| Fixed Assets | 79000 | 2.50% | 105000 | 3.26% |
| Total Assets | 3163000 | 100.00% | 3219000 | 100.00% |
| LIABILITIES | | | | |
| Shareholders' Funds | 1400000 | 44.26% | 1697000 | 52.72% |
| Non-Current Liabilities | 606000 | 19.16% | 774000 | 24.04% |
| Current Liabilities | 1157000 | 36.58% | 748000 | 23.24% |
| Total Liabilities | 3163000 | 100.00% | 3219000 | 100.00% |

Interpretation:

From the above table the common size balance sheet of Sri Ganapathy Polymers for 2022–23 reveals a stronger

asset structure, with tangible assets and fixed assets forming a higher share, reflecting capacity enhancement. Shareholders' funds increased substantially to over half of total liabilities, indicating improved equity strength. Current liabilities reduced considerably in proportion, highlighting better short-term solvency.

4.4 QUICK RATIO

| Year | Current Assets | Inventory | Current Liability | Quick Ratio |
|------|----------------|-----------|-------------------|-------------|
| 2020 | 949000 | 647000 | 509000 | 0.59 |
| 2021 | 1157000 | 668000 | 1048000 | 0.47 |
| 2022 | 1408000 | 887000 | 1157000 | 0.45 |
| 2023 | 1277000 | 719000 | 748000 | 0.75 |
| 2024 | 1185000 | 620000 | 818000 | 0.69 |

Interpretation:

From the above table the quick ratio of the company remained below the ideal benchmark of 1 throughout the period, indicating a relatively weak immediate liquidity position. Although there was an improvement in 2023 (0.75), the ratio declined slightly in 2024, suggesting continued dependence on inventories to meet short-term obligations.

4.5 EQUITY RATIO

| Year | Total Shareholder Equity | Total Assets | Equity Ratio |
|------|--------------------------|--------------|--------------|
| 2020 | 898000 | 1951000 | 0.46 |
| 2021 | 796000 | 2416000 | 0.33 |
| 2022 | 1400000 | 3163000 | 0.44 |
| 2023 | 1697000 | 3220000 | 0.53 |
| 2024 | 1745000 | 3289000 | 0.53 |

Interpretation:

From the above table the equity ratio remained constant at 1.00 across all years, indicating that the company's assets are entirely financed through liabilities. This reflects a highly leveraged position, raising concerns about long-term financial stability and risk exposure.

4.6 RETURN ON EQUITY

| Year | Net Income | Shareholders' Equity | Return on Equity |
|------|------------|----------------------|------------------|
| 2020 | 866000 | 898000 | 96.44 |
| 2021 | 1305000 | 796000 | 163.94 |
| 2022 | 1805000 | 1400000 | 128.93 |
| 2023 | 2149000 | 1697000 | 126.64 |
| 2024 | 2323000 | 1745000 | 133.12 |

Interpretation:

From the above table the Return on Equity (ROE) shows consistently strong performance, peaking at 163.94% in 2021 and remaining above 120% in subsequent years. This indicates highly efficient utilization of shareholders' funds, reflecting strong profitability and effective financial management.

4.7 GROSS PROFIT RATIO

| Year | Gross Profit | Net Sales | Gross Profit Ratio |
|------|--------------|-----------|--------------------|
| 2020 | 635000 | 209000 | 303.83% |
| 2021 | 622000 | 1172000 | 53.07% |
| 2022 | 401000 | 1701000 | 23.57% |
| 2023 | 212000 | 1984000 | 10.69% |
| 2024 | 534000 | 2165000 | 24.67% |

Interpretation:

From the above analysis, it is observed that the Gross Profit Ratio of the company shows wide fluctuations during the period 2020 to 2024. The Gross Profit Ratio was extremely high in 2020 (303.83%) which indicates either very low cost of goods or abnormal revenue/stock adjustments in that year.

4.8 NET PROFIT RATIO

| Year | Net Profit | Net Sales | Net Profit Ratio |
|------|------------|-----------|------------------|
| 2020 | -22000 | 866000 | -2.54% |
| 2021 | 489000 | 1305000 | 37.47% |
| 2022 | 297000 | 1805000 | 16.45% |
| 2023 | 47000 | 2149000 | 2.19% |
| 2024 | 376000 | 2323000 | 16.19% |

Interpretation:

From the above analysis, The Net Profit Ratio shows wide fluctuations from 2020 to 2024, indicating inconsistent profitability. The company moved from a loss in 2020 to its highest profit margin in 2021, showing strong recovery. Profitability declined sharply in 2023 due to higher expenses despite increased sales. In 2024, the ratio improved again, reflecting better cost control and financial stability.

V. FINDINGSSUGGESTIONS, CONCLUSION**Findings:**

The analysis of the financial statements of Sri Ganapathy Polymers reveals that the company has expanded its asset base through increased receivables and higher investments in fixed assets; however, rising current liabilities and declining shareholders' funds indicate greater financial risk and weakened solvency. The balance sheet for 2022–23 shows moderate growth supported by strengthened shareholders' funds and reduced current liabilities, though liquidity weakened due to lower cash and receivables. The common-size statements for 2020–21 reflect heavy dependence on inventories and receivables, along with increased current liabilities, indicating reliance on short-term financing, whereas the 2022–23 and 2023–24 analyses show stronger asset structures, improved equity positions, and better capital allocation despite moderate increases in short-term liabilities. Ratio analysis further reveals fluctuations in liquidity, with the current ratio improving until 2023 before declining in 2024.

Suggestions:

Based on the findings of the study, several measures can be recommended to strengthen the financial performance of Sri Ganapathy Polymers. Firstly, the company should focus on improving its liquidity position by reducing excess inventory levels and accelerating the collection of receivables, which will help maintain healthier current and quick ratios. Secondly, production costs must be strictly controlled by conducting periodic cost audits and adopting cost-efficient manufacturing practices to enhance the Gross Profit Ratio. Thirdly, the capital structure requires improvement, and the company should reduce its reliance on short-term borrowings while increasing long-term sources of finance to ensure greater financial stability. Fourthly, working capital efficiency can be enhanced by implementing stricter credit policies, improving demand forecasting, and adopting more effective inventory management techniques.

Conclusion:

The study concludes that Sri Ganapathy Polymers maintains reasonable financial stability but requires focused improvements in profitability and operational efficiency. Systematic financial evaluation helps management identify problem areas, strengthen financial planning, and support strategic decision-making. Regular financial performance analysis will enhance the organisation's long-term sustainability and competitive advantage in the polymer industry.

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