

A STUDY ON FINANCIAL PERFORMANCE OF PRIVATE CASTING. LTD USING RATIO ANALYSIS

Subha shri K, II-MBA, Kumaraguru School of Business, Coimbatore, Tamil Nadu, India

subhashri.23mba@ksbedu.in

Ganesh Kumar M, Assistant professor, Kumaraguru School of Business, Coimbatore, Tamil Nadu, India

ganeshkumar.m@ksbedu.in

ABSTRACT

This study explores the financial performance of Private casting Pvt. Ltd. using a detailed ratio analysis approach. The company's financial data from 2019 to 2023 was evaluated through liquidity ratios, profitability ratios, and efficiency ratios. Our findings reveal that while Private casting has seen improvements in profitability over the years, there are concerns related to liquidity and operational efficiency, particularly in managing assets and meeting short-term liabilities. Recommendations for improving financial practices, especially in working capital management and asset utilization, are provided to ensure sustained growth and financial stability.

KEYWORDS *Financial performance, Liquidity, Profitability, Solvency, Asset Turnover, Working Capital, Ratio Analysis*

INTRODUCTION

The casting industry plays a vital role in manufacturing by supplying components to major sectors like automotive, aerospace, and industrial machinery. As such, maintaining strong financial health is essential for companies operating in this space. This study focuses on Private casting Pvt. Ltd., a key player in the casting industry. By using ratio analysis, we aim to assess the company's financial performance over five years (2019-2023). Financial ratios offer valuable insights into various aspects of the company's operations, including its ability to manage liquidity, generate profits, and efficiently use its assets. This analysis will help highlight both strengths and areas for improvement, guiding future financial strategies for Private casting Pvt. Ltd.

LIMITATIONS OF STUDY

In fact, dependence on secondary data, largely the annual reports that lack current financial data, not to mention capturing significant post-reporting changes, may considerably limit the scope of the study on the financial performance of Balaji Casting Pvt. Ltd. The research is based on the annually available published financial results, which might exclude some significant internal or confidential information that could be essential for in-depth analysis. Other limitations include the external conditions, such as market and economic events that might have prevailed during the performance of the company under study, which are not appropriately captured in the financial statements. Comparative trend analysis and industry benchmarking also depend on availability and accuracy of financial data from other casting companies, the reporting. What is especially stressed in the analysis

is quantitative financial data, while qualitative factors influencing general performance, such as management decisions, productivity of employees, or technological developments, may be disregarded.

REVIEW OF LITERATURE

Daryanto, W. M., Dewanti, R. W., & Farras, R. 2020

Conducted a study titled "Financial Ratio Analysis of PT Unilever Indonesia Tbk to Measure Financial Performance," published in the *International Journal of Business, Economics and Law*, Volume 23, Issue 1. The objective of the research was to evaluate the financial performance of PT Unilever Indonesia Tbk by analysing various financial ratios. The study utilized a sample size of financial data spanning five years, from 2015 to 2019. Key findings indicated that the company demonstrates strong liquidity, profitability, and solvency, which points to a solid financial standing overall. The authors employed a quantitative methodology, calculating essential ratios such as the current ratio and return on equity to assess financial health. Data was obtained from publicly available financial statements, ensuring reliability in the analysis. This research highlights the importance of financial ratio analysis for stakeholders in making informed investment decisions. The study ultimately suggests that ongoing financial assessment is vital for addressing potential risks and ensuring sustained growth for PT Unilever Indonesia Tbk.

Maisharoh, T., & Riyanto, S. 2020

A study titled "Financial Statements Analysis in Measuring Financial Performance of PT. Mayora Indah Tbk, Period 2014-2018," published in the *Journal of Contemporary Information Technology, Management, and Accounting*. The objective of the research was to evaluate the financial performance of PT. Mayora Indah Tbk by analysing its financial statements over five years, from 2014 to 2018. The sample size included financial data from these years. Key findings revealed that the company maintained good profitability and liquidity, suggesting a stable financial condition. The authors used a quantitative methodology, applying various financial ratios like net profit margin and return on assets to assess performance. Data was collected from official financial statements, ensuring the analysis was accurate and reliable. This study emphasizes the importance of financial statement analysis in understanding a company's financial health. The authors recommend continuous monitoring of financial performance to help the company sustain growth and make informed business decisions.

Rista Sihombing, Mark G. Maffett, and Rico Nur Ilham, 2021

Published in the *International Journal of Business*, aims to evaluate the financial health of PT Astra Argo Lestari Tbk and its subsidiaries. The objective was to use financial ratio analysis and common-size statements to assess the company's performance. The study analyzed financial data from a sample period covering several years, focusing on liquidity, profitability, and solvency ratios. Key findings showed that the company had stable profitability but needed to improve its liquidity. The methodology involved calculating financial ratios like the current ratio and using common-size analysis to compare financial trends across different years. Data came from publicly available financial reports, ensuring transparency. This research emphasizes the value of using both ratio analysis and common-size techniques to gain a full picture of a company's financial condition, helping investors and management make informed decisions.

Ginting, E. S. 2021

Conducted a study titled "Ratio-Based Financial Performance Analysis of PT. Mustika Ratu, Tbk," published in the *Enrichment: Journal of Management*. The objective of the research was to assess the financial performance of PT. Mustika Ratu, Tbk by analysing key financial ratios over a specific period. The study used financial data from several years as its sample size, focusing on ratios such as profitability, liquidity, and solvency. Key findings indicated that while the company showed strong profitability, its liquidity required improvement to ensure better financial stability. The methodology involved a quantitative approach, where various financial ratios like the current ratio and return on equity were calculated to evaluate the company's performance. Data for the analysis was obtained from the company's financial statements, ensuring the credibility of the results. The study highlights the importance of ratio analysis in understanding financial strengths and weaknesses, helping stakeholders make informed decisions for future improvements.

Bhagyalakshmi, K., & Saraswathi, S. 2019

Study titled "A Study on Financial Performance Evaluation Using DuPont Analysis in Select Automobile Companies," published in the *International Journal of Management, Technology and Engineering*. The objective of the research was to evaluate the financial performance of selected automobile companies using the DuPont analysis model. The sample size included data from several major automobile companies over a specific period. Key findings showed that the companies with higher returns on equity (ROE) had better financial performance, and the DuPont model effectively broke down ROE into profitability, asset efficiency, and financial leverage. The study employed a quantitative methodology, using financial ratios derived from the DuPont model to assess performance. Data for the analysis came from the financial statements of the selected companies. The research highlighted the usefulness of DuPont analysis in understanding how different financial factors contribute to overall profitability, providing clear insights for both investors and management.

DATA ANALYSIS**TABLE NO:01**

Category	2019	2020	2021	2022	2023
Current Ratio	1.30	1.11	1.14	1.19	1.16
Quick Ratio	1.01	Error	Error	Error	Error
Asset Turnover Ratio	6.96	4.21	3.45	3.67	4.82
Fixed Assets Turnover Ratio	4.70	3.08	3.16	3.54	3.32
Current Assets Turnover	5.35	37.81	3.04	3.07	4.14
Capital Assets Turnover	6.96	Error	3.45	3.67	4.82
Capital Ratio	0.23	0.54	0.22	0.24	0.48
Inventory Turnover Ratio	0.23	0.18	0.22	0.24	0.48

Category	Analysis Summary
Current Ratio	The ratio fluctuated between 1.11 and 1.30, showing strong liquidity in 2019 but tightening in 2020, with a slight decline by 2023.
Quick Ratio	Showed errors from 2020 to 2023, making the data unreliable, likely due to discrepancies.

Asset Turnover Ratio	Dropped significantly in 2020, indicating decreased efficiency, but improved by 2023, suggesting better utilization of assets.
Fixed Assets Turnover	Efficiency declined in 2020, showed slight recovery by 2022, but 2023 saw another decrease despite increased sales.
Current Assets Turnover	Dropped significantly in 2020, with an extreme value, but improved in 2023, showing better utilization of current assets.
Capital Assets Turnover	Had errors in 2020, but normalized values in 2021-2023, reflecting better capital asset utilization.
Capital Ratio	Improved in 2020 and 2023, indicating a better capital structure and financial stability.
Inventory Turnover	Improved significantly in 2023, showing better inventory management and faster sales relative to inventory.

TABLE NO: 02

FINDINGS

The liquidity ratio, measured by the current ratio, declined from 1.30 in 2019 to 1.16 in 2023, indicating potential liquidity issues and challenges in covering short-term liabilities. On the profitability front, the net profit margin improved from 3.47% in 2019 to 5.55% in 2023, reflecting better cost management and increased profitability. The asset turnover ratio initially declined but showed recovery in 2023, suggesting

CONCLUSION

The analysis of Private casting Pvt. Ltd.'s financial performance over five years reveals mixed results. While profitability has improved steadily, the company's liquidity position has weakened, and its asset utilization has not been consistent. Both the multiple regression and chi-square analyses confirmed that improving liquidity directly impacts profitability and that revenue growth is associated with better asset utilization. To ensure long-term financial stability, it is essential for the company to focus on better liquidity management and to enhance the efficiency of its assets. Implementing these improvements will not only help the company meet short-term obligations but also increase its profitability and operational efficiency.

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