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A STUDY ON THE FINANCIAL PERFORMANCE OF A LOGISTICS COMPANY USING DUPONT ANALYSIS

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ABSTRACT:

This Study analyzed the financial performance of a Logistics company using Dupont Analysis which focuses on the company's profitability, asset usage, and financial leverage from the year 2020 to 2024. It has also explored the key trends by breaking down the return on equity into three parts – Net Profit Margin, Asset Turnover, and Equity Multiplier. It has determined the revenue growth and challenges faced by the company. The study methodology has been analyzed using the company's historical financial data like balance sheets and income statements. The study has assessed the company's financial strengths and weaknesses using Dupont analysis.

KEYWORDS: Financial Performance, Dupont Analysis, Return on Equity, Profitability.

INTRODUCTION:

The study has provided a detailed understanding of the company's financial health and operational efficiency by evaluating the financial performance of the company. This Company is one of the key players in the Parcel and Courier Industry and plays a major role in the Transportation and Logistics Sector. The Purpose of the Study is to assess the company's success in operation, business feasibility, and future growth potential.

Dupont Analysis is a measurement tool used to analyze and break down the company's return on equity into three components: Net Profit Margin, Asset Turnover, and Equity Multiplier. This kind of approach helps in identifying the company's performance in terms of profitability, efficient usage of assets, and impact of financial leverage on the company's returns. The information collected using this analysis has been useful for investors, creditors, management, and analysts to be involved in decision-making to attain the company's financial goals. These Findings of the study have given a clear view of the strengths and weaknesses of company's Financial Performance.

RESEARCH OBJECTIVES:

Primary Objective:

1. To Study the Financial Performance of a Logistics company using Dupont Analysis for the years 2019 – 2020 to 2023 – 2024 in terms of profitability, solvency, and Turnover ratios.

Secondary Objective:

2. To compare the Financial Performance of the company for 5 years.
3. To estimate the trends in sales and profits of the company.
4. To analyze the changes in individual items of the income statement.

SCOPE:

The financial performance analysis of the company has been widely adopted for this study. The financial statements need to be analyzed and interpreted to make them meaningful and useful for decision-making. This analysis helps investors, creditors, and management, as it provides insights into the company's past and current financial situation and project future performance. Investors use this information for making investment decisions, creditors will understand the company's solvency and Management use these insights for company decision-making to improve financial strategies.

LIMITATIONS:

1. The company only focuses on the company’s efficiency, profitability, and solvency but it is not considering significant factors such as market trends and competition.
2. The analysis might not capture industry, economy, and company strategy changes which makes the findings irrelevant. It only relies on past financial data which may not possess the company’s current and future Performance.
3. This study does not account for external factors like inflation, exchange rates, or political risks that influence the results of a company’s financial health.

REVIEW OF LITERATURE:

“A Study of Trends in Comparative Performance of Primary Agricultural Cooperative Credit Societies” by (Mohana & Karunaharan, 2024) predicted the trends of Primary Agricultural Cooperative Credit Societies by finding changes in performance indicators. The methodology included comparative analysis and revealed both challenges and advancements in agricultural financing. The study states the need for financial strategies.

“A Study on Performance Evaluation of Tamil Nadu Grama Bank” by (Balaguruswamy, Swaminathan, & Surendran, 2024) analyzed the performance of Tamil Nadu Grama Bank and used financial ratios to assess profitability and efficiency. The methodology included comparative analysis and stated the importance of performance evaluations in banking. The findings highlighted strengths in the bank’s operations and identified areas for improvement.

“A Study on Financial Performance Evaluation Using Dupont Analysis in Selected Automobile Companies” by (Bhagyalakshmi & Saraswathi , 2019) evaluated the financial performance of selected automobile companies using DuPont analysis. The methodology involved financial ratio analysis to provide insight into factors influencing financial performance in the automobile sector and found variances in profitability across the industry.

“A Comparative Study on Profitability Performance of Top Five Companies in Pharmaceutical Industry: Using Dupont Ratio Approach” by (Prasanna, E., Tamilselvi, J., & Neela, 2022) made a comparative study of the profitability performance of Top pharmaceutical companies using Dupont Ratio approach. The objective is to find the differences in profitability and efficiency levels across the industry. The methodology includes Dupont analysis to do comparisons and identify best practices in the industry.

“The Financial Performance of Automobile Companies in India using Extended DuPont Approach” by (Santhi & Amruthavarshini, T. S. , 2021) examined the performance of automobile companies using the extended Dupont approach. The objective is to identify factors influencing profitability. The methodology extracted insights about the company’s financial stability by evaluating annual financial reports.

CONCEPTUAL MODEL:

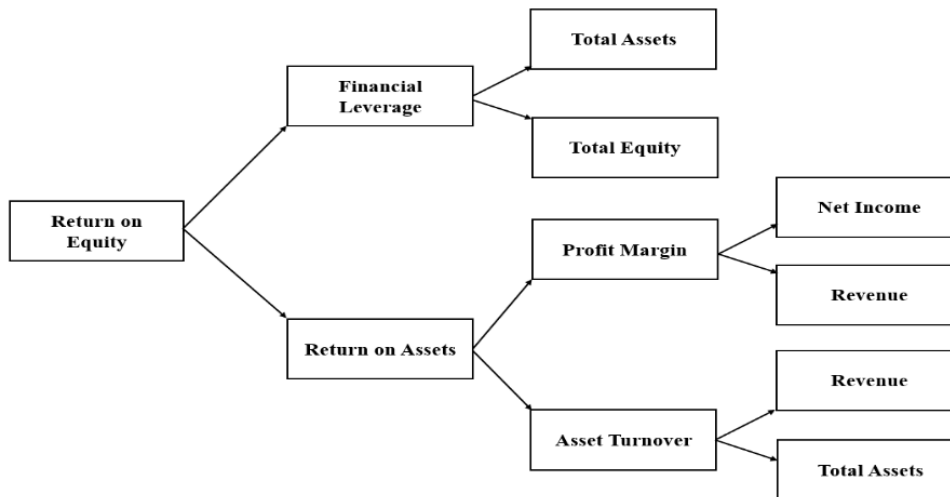


CHART NO.01

DATA ANALYSIS:

TABLE NO.01

Category	Metric	2020	2021	2022	2023	2024
Return on Equity	Financial Leverage	4.15	4.18	4.12	4.1	4.18
	Return on Assets	0.03	0.02	0.03	0.04	0.04
	ROE (%)	12.45	8.36	12.3	16.4	16.72
Financial Leverage	Total Assets	8163.48	9855.55	10719.5	11210.4	13502.6

	Total Equity	1966.36	2352.75	2596.16	2734.07	3227.25
	Financial Leverage	4.15	4.18	4.12	4.1	4.18
Return on Assets	Profit Margin	0.04	0.03	0.04	0.05	0.05
	Asset Turnover	0.91	0.71	0.82	0.89	0.81
	ROA (Times)	0.03	0.02	0.03	0.04	0.04
Current Ratio	Current Assets	5589.17	6770	7240.15	7288.64	8564.9
	Current Liabilities	4356.13	5415.96	5954.19	6162.96	7309.2
	Current Ratio	1.28	1.25	1.2	1.18	1.17

TABLE NO.02

Category	Interpretation
Return on Equity	The ROE of the company declined in the initial period but showed improvement from 2022 onwards and reached 16.72% in 2024.
Financial Leverage	The company's Total assets and equity have grown steadily, and Financial Leverage remained stable indicating a balanced use of debt.
Return on Assets	The company resulted in the rise of ROA to 0.04 times in later years which states an improvement in asset efficiency.
Current Ratio	There was a decline in liquidity level from 1.28 in 2020 to 1.17 in 2024 which suggests better management of working capital.

FINDINGS:

The company's financial performance reflected consistent growth and increased efficiency which balanced challenges that need better management. The overall returns improved with better usage of assets and an increase in ROE while the financial leverage remained the same. The company determines the balance between debt and equity and the increase in company value. Asset Turnover showed fluctuations which recovered back in 2024 whereas the profit margin slightly improved. This indicated that the company has put efforts into optimizing asset utilization and increasing profitability. Net Income, Profit margin, and Net income have increased drastically which is reflected in stronger income generation and profitability. Even though there was strong revenue growth, the inconsistency in asset turnover suggested challenges in generating revenue through efficient asset utilization. The drop in the current ratio and quick ratio highlighted the importance of better working capital management. The company majorly relied on debt because the Debt-Equity Ratio stayed high. There was a positive impact on business operations due to improved Inventory turnover. The trend analysis showed that Net income and Net sales recovered strongly in 2024 after a downfall in 2021. The common-size balance sheet highlighted the need for inventory management and cash flow practices. Finally, the comparative balance sheet revealed that there is growth in assets and shareholder's equity and stated the necessity for debt management to maintain financial stability.

CONCLUSION:

Overall, the study has provided a detailed analysis of the financial performance of a Logistics Company using DuPont analysis from 2020 – 2024. It has resulted in the company's improvement in revenue, profitability, and asset efficiency showing overall growth. The findings revealed areas for improvement such as fluctuations in asset turnover and a decline in profit margin. The company has indicated positive business growth, improved net income, revenue, and inconsistency in financial leverage and the company also faced difficulties in cost control and maintaining profitability. This has affected the balance between debt and equity as the company has been dependent on debt for its operations. There is a need for short-term liquidity management due to a downfall in current and quick ratios. Based on these findings, the study further suggested improving the financial performance of the company. The suggestions have focused on enhancing asset efficiency, better managing working capital, reducing reliance on debt, and improving profit margins.

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