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AN EVALUATION OF FINANCIAL PERFORMANCE TOWARDS HIROTEC INDIA PVT. LTD, COIMBATORE

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ABSTRACT :

The financial performance of a company plays a crucial role in understanding its stability and growth. This study examines the financial health of Hirotec India Pvt. Ltd, Coimbatore by analyzing liquidity, profitability, turnover ratios, and solvency position. The research compares past and present financial data to identify trends and areas requiring attention. Based on the findings, suitable recommendations are provided to enhance the company's financial performance.The objective of the study is to analyse the financial performance analysis of Hirotec India Pvt. Ltd, Coimbatore. This study focuses on analyzing the financial performance of Hirotec India Pvt. Ltd using key financial ratios such as liquidity, profitability, and turnover ratios. It evaluates the company's return on total assets and investments to assess its financial efficiency. The research also examines the solvency position to determine the firm's long-term stability. Additionally, a comparison of past and present financial performance is conducted to provide insights for improvement. This study applies a quantitative research design by analyzing financial data across five years. Secondary data was used. Purposive sampling design under Non-probability sampling technique is used in this study. The company can further improve its profitability through optimum capital gearing and reduction in administration and financial expenses.

Keywords: Financial performance, solvency position, profitability, turnover.

INTRODUCTION OF THE STUDY

Financial performance analysis examines and interprets financial information to assess the performance, stability, and prospects of an individual, organization, or investment. It involves evaluating financial statements, ratios, and other relevant data to gain insights into an organization's financial health, profitability, liquidity, and solvency.

Financial performance is defined as how successfully a corporation uses its resources to generate revenue while also managing its assets, liabilities, and financial health. It is a key indicator for stakeholders such as investors, creditors, and employees to assess the company's overall success and stability.

Financial performance assesses a company's assets, liabilities, equity, expenses, revenue, and profitability to determine its overall standing. Financial performance refers to a company's evaluation in terms of assets, liabilities, equity, expenses, revenue, and profitability. It provides insight into how effectively a company uses its resources to generate income and maintain overall financial health. For internal stakeholders, this analysis helps in assessing the company's operational well-being, while external investors use it to identify potential investment opportunities and gauge the company's attractiveness.

IMPORTANCE OF FINANCIAL PERFORMANCE ANALYSIS

Here are key reasons why financial performance analysis is essential for your enterprise.

1. Financial performance assessment: Evaluate profitability, liquidity, and solvency to understand your enterprise's financial health.
2. More informed decisions: Analyze financial data and industry trends to make sound choices regarding investments, expansions, and strategic initiatives.
3. Managing risks better: Identify potential risks, vulnerabilities, and implement measures to mitigate them effectively.
4. Optimal use of resources: Optimize resource allocation, improve cost management, and enhance overall profitability.
5. Tracking progress: Monitor financial indicators over time to track performance, identify trends, and take corrective actions if necessary.

KEY COMPONENTS OF FINANCIAL PERFORMANCE ANALYSIS

The key components include examining financial statements, assessing financial ratios, analyzing cash flow, and evaluating key performance indicators (KPIs).

- ❖ Financial statements:

Financial statements provide a snapshot of your enterprise's financial performance and position. These statements include the income statement, balance sheet, and cash flow statement. They offer valuable insights into revenue, expenses, assets, liabilities, and cash flows. By reviewing and analyzing these statements, you can assess profitability, solvency, and liquidity and make informed decisions regarding investments, financial planning, and resource allocation.

- o Income Statement
- o Balance Sheet
- o Cash Flow Statement
- o Statement of Shareholders' Equity

- ❖ Financial ratio analysis:

This analysis is a powerful tool as it helps evaluate your enterprise's financial health. By comparing key financial ratios, such as profitability, liquidity, and solvency ratios, you can gain valuable insights into performance and make informed decisions. The above ratios assess profitability, measure liquidity and ability to meet short-term obligations, evaluate long-term solvency, and analyze efficiency and productivity. They provide a clear picture of your enterprise's financial position and assist in identifying areas for improvement, optimizing resources, and mitigating risks. Let's take a quick look at the ratios.

- o Liquidity Ratio
- o Solvency Ratios
- o Profitability Ratios
- o Efficiency Ratios

STATEMENT OF THE PROBLEM

Many companies struggle with financial performance analysis due to errors in data interpretation, lack of proper financial tools, and weak decision-making strategies. Poor financial assessment leads to mismanagement of funds, liquidity issues, and an inability to meet short-term and long-term obligations. Ineffective analysis affects profitability, disrupts cash flow, and creates difficulties in maintaining business stability. Without proper evaluation, organizations fail to identify financial risks, leading to operational inefficiencies and reduced investor confidence. Weak financial management slows down growth and limits the company's ability to compete in the market. The absence of a structured financial performance analysis makes it difficult to measure performance and plan for future expansion. Poor resource utilization and ineffective cost control further impact overall financial health. This study helps organizations improve financial performance analysis by identifying key problem areas and providing better assessment techniques. A well-executed financial performance analysis supports better decision-making, risk management, and longterm business success. Understanding financial performance effectively allows businesses to remain competitive and financially strong.

OBJECTIVES OF THE STUDY

Primary Objective:

- ➢ To study on financial performance analysis of Hirotec India Pvt. Ltd, Coimbatore during from 2020-2024.

Secondary Objectives:

- ❖ To analyze the financial performance analysis of the company through the measurement of liquidity, profitability and turnover ratio.
- ❖ To study the return on total assets and investments.
- ❖ To study the solvency position of the company.
- ❖ To compare the past performance of the company with the present performance.
- ❖ To make appropriate suggestions for the improvement of the company.

SCOPE OF THE STUDY

This study focuses on understanding the financial performance of Hirotec India Pvt. Ltd, Coimbator, by analyzing its financial position, solvency, working capital management, and profitability. The study is based on annual report of the company for five years 2019- 2020 to 2023-2024. It helps to identify how well the company manages its short-term and long-term financial commitments and how effectively its resources are utilized. The results of this research can assist businesses in improving financial decision-making, ensuring better cash flow management, and maintaining financial stability. Companies can use these findings to strengthen their working capital strategies, reduce financial risks, and enhance overall profitability. A proper analysis of financial performance helps in planning for future growth, attracting investors, and ensuring sustainable operations. This study provides useful insights for businesses to adopt better financial management practices and improve their long-term success.

LIMITATIONS OF THE STUDY

- Only monetary aspects of the company have been taken into consideration.
- The study is restricted to use last five years financial statements during from 2019- 2020 to 2023-2024.
- The published information used in the study may not be accurate and unbiased.
- Not much information of the company was revealed as the executive personal wanted certain information to be confidential.

REVIEW OF LITERATURE

Wu, Q. and Yuan, F. (2020) The study target for this article's financial performance evaluation is the 56 listed companies in the province of Anhui. Utilising 15 indicators, the four components of profitability, development ability, operation ability, and solvency, principal component analysis (PCA) is used to thoroughly assess the financial performance of businesses from both qualitative and quantitative perspectives.

Amudagoni Saishekar, K Venkatesham (2021) This study's primary goal is to examine the fund management practices of India's numerous asset management companies, or AMCs. By doing a methodical examination of the company's balance sheet, the goal of the current study can be achieved. Analysis is the process of gathering, observing, reporting, calculating, and discovering information that is pertinent to the balance sheet of the business. The collection of the company's annual report and several publications are examples of secondary sources of data.

Wang Y (2022) The study's objective is to examine the connection between IC and its components and the financial performance of small and medium-sized manufacturing businesses (SMEs) in China. We also investigate if this link is affected by the type of industry. This study uses the modified value-added intellectual coefficient (MVAIC) model to evaluate IC using data from 588 Chinese listed SMEs in the manufacturing sector between 2015 and 2020. The findings indicate that IC enhances the financial performance of SMEs, with human and physical capitals playing a major role. Furthermore, different industries have distinct effects of IC and its components on the financial performance of Chinese manufacturing SMEs.

Arinze-Emefo, I. (2023) This study reviewed the effect of credit risk management on the financial performance of microfinance institutions (MFIs) in Nigeria. Utilizing a qualitative review methodology, the review found that proactive risk assessment, thorough credit appraisal, proper loan monitoring, and prompt loan recovery procedures are essential components of efficient credit risk management, which has a substantial impact on MFI performance. Credit risk management is also improved by well-defined regulations, qualified personnel, and suitable technology infrastructure.

Ettaiebi, A. (2024) This study compares the financial statements of two of the top ecommerce companies, Alibaba and Jingdong. We hope to provide insights into their financial health, competitive positioning, and future prospects by looking at their fiscal year 2023 38 financial statements, market strategy, and operational efficiencies. This study uses a combination of quantitative and qualitative research techniques, such as SWOT and ratio analysis, to emphasise the companies' strategic ambitions, financial performance, and implications for stakeholders and investors in the quickly changing digital retail market.

RESEARCH METHODOLOGIES

STUDY AREA

In this study, Hirotec India Pvt. Ltd, Coimbatore is the study area.

DESIGN OF THE STUDY

"A Research design determines the methods and procedures for data acquisition and analysis". This study uses a quantitative research design that is based on objective measurements and statistical analyzes to understand financial data. This study uses a quantitative research design by analyzing financial data over five years.

SAMPLE SIZE

The specified subset of data from which conclusions are drawn in a study is referred to as the sample size. In this instance, Hirotec India Pvt Ltd's financial records are included in the sample size from 2019–20 to 2023–24.

SOURCE OF THE DATA

The basis for obtaining the information required by researchers to investigate particular subjects or problems is data sources. They play a crucial role in deciding the kind and caliber of data that are used in analysis. Researchers guarantee the integrity of their research findings by choosing trustworthy data sources. Surveys, public documents, scholarly works, and even firsthand observations are examples of these sources. The validity of research findings is largely dependent on how accurate and pertinent the data sources are. Depending on the objectives of the study and the resources at hand, secondary sources can yield useful information.

SECONDARY DATA

Information that has previously been gathered and published by other people or organizations is referred to as secondary data. Among other places, this information can be found in databases, government publications, and scholarly works. When primary data collection is impractical or too expensive, secondary data is frequently used in research. It enables researchers to investigate already-existing data and expand on previous discoveries. Secondary data can be helpful, but its applicability in some studies may be limited because it doesn't always address the particular requirements of a given research question. This study 41 makes use of secondary data. Annual reports for the last five years, from 2019–20 to 2023– 24, from Hirotec India Pvt. Coimbatore, Ltd.

SAMPLING TECHNIQUE

The methodical process of choosing a subset of a population is known as sampling technique. In this study, a non-probability sampling technique is employed. Here, nonprobability sampling is used to concentrate on particular traits or situations that are pertinent to the study's goals.

SAMPLING DESIGN

The methodical strategy for choosing the subset of data to be examined is known as sampling design. In this study, a purposeful sampling design is employed. A non-random technique called purposeful sampling design concentrates on data that meets the needs of the study. The financial records of Hirotec India Pvt. were used in this investigation. Ltd. over a five-year span were specifically selected due to their significance in ratio analysis.

ANALYTICAL TOOLS AND METHODS

The following tools are applied in this study.

- Ratio Analysis
- Comparative balance sheet
- Common-size balance sheet

SUGGESTIONS

- The net working capital has been decreasing year by year. The management has to take proper steps to maintain the adequate level of working capital.
- The average inventory has ups and down for the consecutive five years. The needed inventory level must be maintained by the production manager.
- The credit sales must be reduced one up to certain limit. There must be strict credit policy but not to affect sales volume and lots of customers.
- The average collection period must be reduced and monitored by concerned authority. The days must be reduced and speed up the collection amount.
- The return on total asset must be monitored by the finance manager. The net profit must be in appropriate proportion as the total assets utilized in the business.

CONCLUSION

This study was conducted to find out the financial position and profitability of Hirotec India Pvt. Ltd, Coimbatore. On studying the financial statement analysis of the company for the period of 2019-2020 to 2023-2024, the study reveals that the financial performance of the company is stable in its financial status. The company have to maintain optimal cost positioning. It is the evident from the study that the company is not making as much profit as it expected over the years and hence the company internal operations has to be improved to gain better net profit .The company was unable to meet their entire requirements for capital expenditure and higher level of working capital commitments with higher volume of operations and from its operations cash flow. The company is more dependable on the public investments than their own contribution to improve their financial position the company must raise the capital to depend on the owners fund. Thus it can be concluded that the inner strength of the company is remarkable. The company can further improve its profitability through optimum capital gearing and reduction in administration and financial expenses.

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