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"FINANCIAL RATIO ANALYSIS AND CASH FLOW MANAGEMENT" WITH SPECIAL REFERENCE TO GABRIEL INDIA LIMITED, AT HOSUR.

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ABSTRACT :

This study analyzes the financial performance of Gabriel India Limited over five years (2019–2024) using key financial ratios and cash flow analysis. The project evaluates the company's profitability, liquidity, solvency, and operational efficiency. Key findings highlight an improvement in return on equity, net profit margin, and a robust cash flow position, indicating effective financial management and a solid growth outlook.

Key words: Profitability, Liquidity, Solvency, Ratio Analysis, Cash Flow, Gabriel India Limited

INTRODUCTION

Financial ratio analysis and cash flow management are essential tools for evaluating a company's financial health and performance. Financial ratio analysis involves examining various ratios derived from a company's financial statements to assess its profitability, solvency, and efficiency. Meanwhile, cash flow management focuses on the inflows and outflows of cash, providing critical insights into a company's ability to meet its short-term obligations, invest in growth, and maintain liquidity.

RESEARCH BACKGROUND

India's automotive component sector has seen significant evolution, with firms like Gabriel India playing a vital role in both OEM and aftermarket segments. As market competition increases, maintaining financial discipline becomes critical. Analyzing Gabriel India's performance using ratio and cash flow tools helps uncover their strategic responses to industry pressures and opportunities.

GLOBAL TRADE DYANAMICS AND EXPORT OPPORTUNITIES

The global auto components industry is increasingly influenced by trade policies, geopolitical developments, and regional economic integration. Countries like India are gaining prominence as global sourcing hubs for OEMs (Original Equipment Manufacturers) due to cost advantages, a skilled workforce, and improving quality standards. Gabriel India Limited has a notable presence in the domestic market, and tapping into global export markets presents a significant growth avenue.

IDENTIFIED PROBLEM

Gabriel India Limited, being a major player in the automotive component industry, must consistently assess its financial standing. However, fluctuations in financial ratios and cash flow patterns over the years may indicate operational or strategic inefficiencies. A comprehensive analysis is required to identify areas of concern and the effectiveness of its financial policies.

OBJECTIVES OF THE STUDY

- To evaluate the financial performance using profitability, liquidity, efficiency, and solvency ratios.
- To analyze cash flow management strategies and their impact on liquidity and profitability.

- To benchmark Gabriel India with competitors.
- To identify financial trends and growth areas over a five-year period.
- To provide insights to aid strategic decision-making.

REVIEW OF LITERATURE

Brigham & Houston (2004-2019): Their work on financial ratios explores how key financial ratios like profitability, liquidity, and leverage are used to assess corporate financial stability, efficiency, and growth potential. They also discuss the application of financial ratios in decision-making for strategic business planning. Ross, Westerfield, & Jordan (2005-2020): These authors examine liquidity ratios in detail, emphasizing their importance in evaluating a firm's short-term financial health and operational efficiency. Their work highlights the critical role of these ratios in working capital management. Damodaran (2006-2020): Damodaran's extensive contributions focus on the role of solvency ratios in evaluating a company's long-term financial health. He stresses the importance of understanding debt levels and equity financing in assessing a firm's financial stability. Berk & DeMarzo (2008-2021): The authors focus on efficiency ratios, particularly those related to asset turnover and working capital management. They argue that these ratios provide valuable insights into a company's operational efficiency and profitability. Altman (2008-2018): Known for his work on the Altman Z-score, Altman's research explores the predictive capabilities of financial ratios in assessing the likelihood of bankruptcy. His model remains a key reference in corporate distress analysis. Deloitte (2010-2022): Deloitte has published numerous reports on cash flow management trends in various sectors, particularly focusing on the automotive industry. Their research provides a detailed analysis of how firms can optimize cash flow to ensure business continuity and financial stability. Kaplan & Norton (2005-2015): The Balanced Scorecard methodology developed by Kaplan and Norton integrates financial ratio analysis with strategic business performance measurement. They explore how companies can align their financial goals with broader organizational strategies. Pandey (2010-2018): Pandey's work examines the impact of liquidity and solvency ratios on a company's ability to manage cash flow effectively. His research provides a comprehensive view of how financial ratios influence a company's operational and financial decisions. Goyal (2012-2020): Goyal's research focuses on the financial health of Indian manufacturing companies, with particular emphasis on how ratio analysis can help assess the financial stability and growth prospects of firms in emerging economies. PwC (2015-2022): PwC's reports delve into the challenges faced by global automotive firms in managing cash flow amidst fluctuating demand and rising production costs. Their analysis provides valuable insights into how cash flow management impacts profitability and firm valuation in the automotive sector. KPMG (2013-2022): KPMG's studies analyze cash flow challenges faced by companies in emerging markets, highlighting how varying economic conditions and industry-specific factors affect cash flow forecasting and management in these regions. Graham & Dodd (2010-2020): The classic work of Graham and Dodd on security analysis has been updated to include discussions on the relationship between effective cash flow management and firm valuation. They explore how consistent cash flow patterns correlate with higher valuation multiples. Fama & French (2010-2022): Their research focuses on the predictive power of financial ratios in predicting stock market returns. They examine how ratios like return on equity (ROE), debt-equity ratio, and others are indicative of future stock performance. Black & Scholes (2009-2019): Known for the Black-Scholes options pricing model, the duo also analyzed cash flow volatility and its impact on a company's financial stability. They argue that volatile cash flows increase financial risk and affect a company's ability to manage debt effectively. Brealey & Myers (2011-2021): Their work on corporate finance explores how profitability ratios, like profit margin and return on assets (ROA), influence financial decision-making. They also discuss the impact of these ratios on capital budgeting decisions and firm valuation. Myers & Majluf (2006-2021): Their research investigates the relationship between capital structure decisions and financial ratios. They explore how firms optimize their mix of debt and equity based on financial ratio analysis to maximize value and minimize risk. Zeller & Stanko (2013-2022): Zeller and Stanko analyze financial indicators like working capital turnover, current ratio, and asset utilization ratios to predict firm success. Their work emphasizes the need for accurate financial data to guide strategic decision-making. Beaver (2009-2022): Beaver's research focuses on cash flow ratios, particularly how operating cash flow relates to corporate distress and bankruptcy risk. His work provides a framework for assessing financial stability through cash flow metrics. Damodaran (2012-2023): Damodaran's deeper insights into valuation using financial ratios explore how these metrics can be incorporated into discounted cash flow models to assess company value, especially in industries with high capital expenditure requirements. Grant Thornton (2014-2023): Their research highlights the importance of cash flow management in mitigating risk for manufacturing firms. They provide case studies showing how poor cash flow management can lead to financial distress and operational inefficiencies. Johnson & Kaplan (2010-2023): Johnson and Kaplan examine how financial statement analysis, including ratio analysis, is essential for corporate decision-making. Their research suggests that a comprehensive analysis of financial statements aids managers in making informed strategic choices. Porter & Norton (2012-2023): Their work evaluates the role of financial metrics, such as return on assets (ROA) and return on equity (ROE), in assessing global market competitiveness. They show how these ratios are critical in evaluating firms' relative performance in global markets. Tirole (2013-2023): Tirole's work explores corporate financial strategy and the assessment of financial risk through ratio analysis. His research highlights how firms use financial ratios to design strategies that mitigate financial and operational risk. Moyer,

RESEARCH GAP

Despite numerous studies on financial performance analysis in the manufacturing and automotive sectors, there remains a limited body of research focused specifically on Gabriel India Limited post-COVID-19. Most existing literature emphasizes broader industry trends or multinational OEMs, leaving a gap in detailed company-specific insights.

Furthermore, there is a lack of integrated analysis combining both ratio assessment and cash flow dynamics over a consistent five-year period. This restricts the ability of stakeholders to make well-rounded evaluations of long-term financial health. Another gap lies in the minimal exploration of Gabriel India's export potential in light of shifting global trade dynamics, particularly under the "China Plus One" strategy.

This study aims to address these gaps by providing a targeted, in-depth evaluation of Gabriel India Limited's financial performance and export preparedness, utilizing current data and sector-specific benchmarks.

RESEARCH METHODOLOGY

- *Type of Study:* Analytical and Descriptive
- *Research Design:* Descriptive research design to explain trends and patterns using quantitative data
- *Data Source:* Secondary data collected from Gabriel India Limited's annual reports (FY2019–2024), industry publications, books, and journals
- *Tools and Techniques Used:*
  - Financial Ratio Analysis
  - Excel-based data analysis
  - Graphical representation (bar charts, line graphs)
- *Key Financial Ratios Analyzed:*
  - *Profitability:* Net Profit Margin, Return on Assets (ROA), Return on Equity (ROE)
  - *Liquidity:* Current Ratio, Quick Ratio
  - *Solvency:* Debt-to-Equity Ratio, Interest Coverage Ratio
- *Sample Unit:* Gabriel India Limited
- *Study Period:* Five years (2019–2024)
- *Comparative Benchmarking:* Competitor and industry average insights used where applicable.

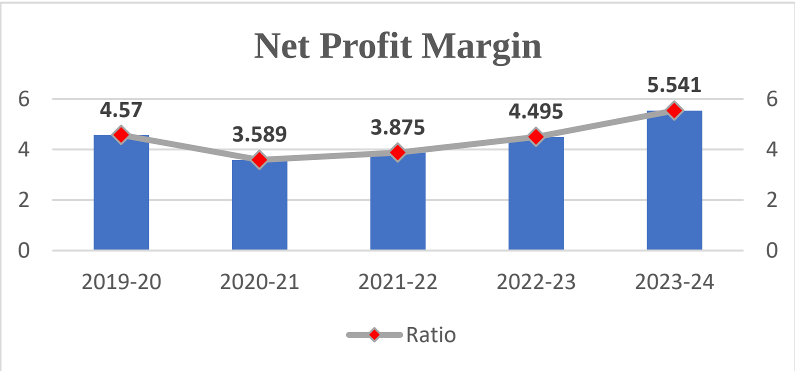
LIMITATION OF THE STUDY

- Entirely dependent on secondary data from published financial reports.
- No primary stakeholder interviews or surveys included.
- Data restricted to FY2019–2024 only.
- No segment-wise financial analysis.

DATA ANALYSIS AND INTERPRETATION

Table 1. Net Profit Margin

Year	Net Profit (₹ Cr)	Revenue (₹ Cr)	Ratio
2019-20	84.74	1854.31	4.57
2020-21	60.27	1679.35	3.589
2021-22	89.52	2310.46	3.875
2022-23	133.59	2972	4.495
2023-24	185.2	3342.6	5.541

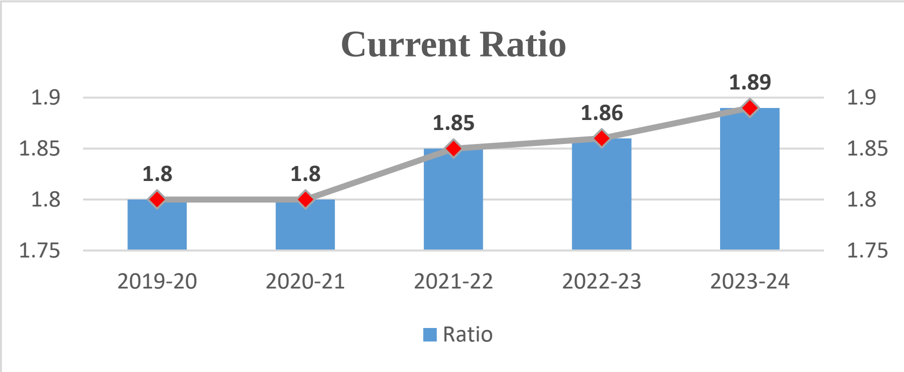


INTERPRETATION:

The decline in 2020-21 may be due to economic or industry challenges, but the company’s strong recovery highlights effective financial strategies. The increasing profit margin suggests improved operational efficiency and profitability. Gabriel India Limited's steady financial growth strengthens its market position and enhances long-term sustainability.

Table 2. Current Ratio

Year	Current Assets (₹ Cr)	Current Liabilities (₹ Cr)	Ratio
2019-20	822.45	456.78	1.8
2020-21	899.32	498.25	1.8
2021-22	985.47	532.6	1.85
2022-23	1075.29	578.9	1.86
2023-24	1152.63	610.45	1.89



INTERPRETATION:

A rising current ratio indicates better liquidity management, meaning the company is increasingly capable of meeting its short-term obligations. The consistent increase suggests efficient working capital management. However, if the ratio becomes too high, it may indicate underutilization of assets. The current ratio staying close to 2.0 is generally considered a healthy sign for financial stability.

Table 3. Quick Ratio

Year	Quick Assets (₹ Cr)	Current Liabilities (₹ Cr)	Ratio
2019-20	450.25	610.4	0.738
2020-21	470.6	655.8	0.718
2021-22	520.8	700.25	0.744
2022-23	580.9	740.5	0.784
2023-24	620.5	780.75	0.795

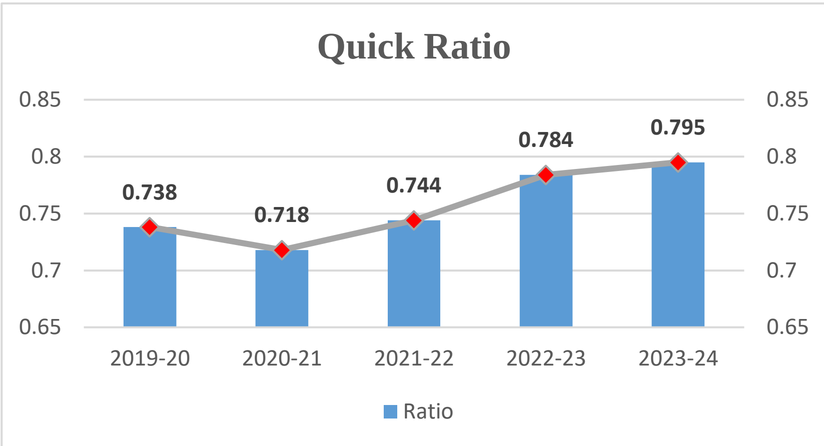


Chart 3. Quick Ratio

INTERPRETATION:

A rising Quick Ratio suggests enhanced liquidity, implying that the company has a stronger position to meet immediate liabilities using its most liquid assets. However, since the ratio is still below 1, it indicates that the company might face difficulties in settling short-term liabilities without selling inventory. Maintaining a balance between liquidity and operational efficiency is crucial for financial stability.

SUMMARY OF FINDINGS

The study of Gabriel India Limited's financial ratio analysis and cash flow management over the five-year period (2019–2024) has revealed several key insights:

Consistent Improvement in Profitability

The company's Net Profit Margin increased from 3.59% in 2020–21 to 5.54% in 2023–24, reflecting enhanced operational efficiency and profitability. Likewise, Return on Assets (ROA) and Return on Equity (ROE) showed a positive trend, indicating better utilization of resources and value generation for shareholders.

Strong and Stable Liquidity Position

Gabriel India has maintained a healthy current ratio, ranging from 1.8 to 1.89, signifying its consistent ability to meet short-term obligations and manage working capital effectively.

Resilient Recovery Post Economic Disruption

Despite a dip in 2020–21—likely influenced by the pandemic—the company quickly recovered and demonstrated robust growth across all key financial indicators.

Strategic Diversification into Growth Segments

The venture into the sunroof segment through Inalfa Gabriel Sunroof Systems and the company's focus on EV components reflect forward-looking strategies to diversify revenue and align with emerging trends.

Investment in Innovation and Global Expansion

Establishment of the Gabriel European Engineering Centre (GEEC) in Belgium and investment in semi-active suspension systems highlight the company's dedication to innovation and its ambition to expand globally.

SUGGESTION

Based on the financial ratio analysis and cash flow study of Gabriel India Limited, the following suggestions and recommendations are proposed to enhance the company's financial performance and sustainability:

1. **Improve Working Capital Efficiency**

Gabriel India Limited should focus on optimizing its working capital management by minimizing receivables and inventories while improving payables efficiency to maintain a healthy liquidity position.

2. **Strengthen Cash Flow from Operations**

While the company maintains positive cash flow, emphasis should be placed on consistently improving cash inflows from operating activities, which are vital for day-to-day operations. This may involve better credit control and expense management.

3. **Monitor Solvency and Debt Ratios**

The company should regularly review its debt-to-equity and interest coverage ratios to ensure it maintains a balanced capital structure and avoids over-dependence on debt financing.

4. **Focus on Profit Margin Enhancement**

Strategies should be implemented to improve profit margins, such as optimizing production costs, enhancing operational efficiency, and reviewing pricing strategies based on market competition.

5. **Enhance Financial Reporting Transparency**

The company can consider more detailed disclosures in its financial reports to provide better clarity to stakeholders on cash flow drivers and capital allocation.

6. **Benchmarking and Industry Comparison**

Gabriel India Limited is advised to benchmark its key ratios against industry peers to identify areas where performance improvement is possible or necessary.

CONCLUSION

The study reveals that Gabriel India Limited has shown strong financial improvement and stability over the five-year period. Profitability and return metrics have consistently improved, and the company's investment in new business lines such as sunroofs and EV parts positions it well for future growth. Effective cash flow and ratio management practices, coupled with strategic planning, have enabled Gabriel to navigate market challenges and remain a key player in the automotive component industry.

DIRECTIONS FOR FUTURE RESEARCH

This study primarily relied on secondary data and focused on the financial performance of Gabriel India Limited through ratio and cash flow analysis. While the findings provide meaningful insights, future research can expand on several dimensions to offer a more comprehensive view:

1. **Comparative Analysis with Industry Peers**

Future studies could compare Gabriel India Limited's financial metrics with those of similar companies in the auto components sector to assess competitive positioning and industry benchmarks.

2. **Incorporation of Qualitative Factors**

Integrating primary data through interviews or surveys with management, employees, or financial analysts can offer deeper insights into strategic decisions and operational practices influencing financial outcomes.

3. **Longitudinal and Post-Pandemic Impact Study**

A longer-term study, including post-COVID financial performance, could help understand how the company adapted to economic disruptions and what strategies led to recovery or resilience.

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