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A STUDY ON FINANCIAL PERFORMANCE WITH SPECIAL REFERENCE TO KEMS SHAKTI PRECISION CASTING PVT LTD, AT HOSUR.

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ABSTRACT :

The researcher made an attempt to study the Financial Performance of “KEMS SHAKTI PRECISION CASTINGS PVT LTD, HOSUR”. Finance is the life blood of business enterprises. This is because of modern economy. Finance is one of the basic foundations of all kinds of economic activities in the business. It is the master key to analyse the financial health of the business, which provides access to all the sources for being employed in manufacturing activities. It has been observed that business needs money to develop their business in market. The main purpose of this study is to analyze the financial performance of the company to know the current status of their business profit. The secondary objectives of the study tells about the financial performances are. To study the solvency, liquidity and efficiency of KEMS SHAKTI PRECISION CASTINGS PVT LTD, HOSUR. To study the financial performance of the company during the period of 2020-2021 to 2024-2025. The researcher uses the tools to analyses Ratio analysis, Correlation analysis and Trend analysis. Under ratio analysis financial ratios and activity turnover ratios are taken for the study. The financial ratio helps the research for analyzing the liquidity and solvency and profitability position the activity or turnover ratio help in analyzing the operating efficiency of firm.

INTRODUCTION

Finance is regarded as the life blood of business enterprises. This is because of the modern economy. Finance is one of the basic foundations of all kinds of economic activities in business. which provides access to all the sources for being employed in manufacturing and merchandising activities. It has been observed that business needs money to make more money in business activity.

RESEARCH BACKGROUND

Financial performance is a critical indicator of a company's to see the overall performances of business health, stability, and efficiency. It reflects how well a company utilizes its assets, manages its liabilities, and generates profits over a specific period. In today's competitive and dynamic industrial environment, analyze financial performance is essential for identifying strengths, weaknesses, and opportunities for growth of the business enterprise. by increasing market complexities and rising operational costs, businesses must constantly evaluate their financial strategies to remain competitive and sustainable in the market.

KEMS Shakti Precision Castings Pvt. Ltd., established in 2013 and based in Bangalore, operates in the core manufacturing sector with a focus on iron and steel castings, electrical equipment, and transport machinery. The company serves diverse industrial needs and has built a reputation for quality and efficiency. This research aims to provide insights into the company's operational effectiveness, profitability, and long-term viability, in the context of its industrial activities at its Hosur facility.

IDENTIFIED PROBLEM

The balance sheet and profit and loss account are the basic financial statement of a business enterprise. They undoubtedly provide useful financial data regarding the operations of a firm. Financial statements contain a wealth of information's which if properly analyzed and interpreted can provide valuable insight into a firm's performance and position. The analysis of financial statements is an important aid for financial analysis. One of the various methods of financial performance is the ratio analysis. The ratio analysis is based on different ratios which are calculated from the accounting data contained in the financial statement in the company.

The study is conducted during in the financial year from 2015- 2016 to 2019- 2020 and trend percentage of various head items has been computed and the projection of these items value for the next year is also calculated.

OBJECTIVES OF THE STUDY

- To Enhancing production processes to achieve substantial EBITDA growth.
- To Implementing strategies to significantly increase net profits.
- To Addressing the negative net worth and improving the debt-equity balance.
- To Suggest the overall betterment of financial performance.

REVIEW OF LITERATURE

Mr. Ramesh studied the “financial performance of KEMS SHAKTI PRECISION CASTINGS PVT LTD.” the study concurred the period from 2016-2020, and the tools used by her include all the financial analysis tools. The issued to found that gross profit and net profit increasing considerably. The management of the company related that its own were than its borrowed capital.

Mr. Manikandan “A study on financial Analysis” with special reference to KEMS SHAKTI PRECISION CASTING PVT LTD “in the year 2016 with the main objectives of finding the profitability position status of the company over a period of five year (2016-2020) and to find out the increaser decrease in various assets and liabilities by comparing the balance sheet of five years.

Ms. R. Parvathi in her study “The Financial performance analysis of KEMS SHAKTI PRECISION CASTING PVT LTD” Finding in his study for the year 2016- 2020 concluded that the gross profit has been. Shown as increasing trend, long term solvency of the company, debt equity ratio proprietary ratio was not satisfactory.

Rajeswari (2000) studied about the Liquidity Management of Tamil Nadu Cement Corporation Ltd. Alangulam-A Case Study. She concluded from the analysis; the liquidity position of TANCEM was not stable. After the comparative analysis regarding liquidity ratios, she has found there was too much of liquidity in the first two years of the study period and also a very high degree of liquidity was also bad as idle assets earn nothing and affects profitability. In short, she concluded that the liquidity management of TANCEM is poor and is not satisfactory.

Aggarwal & Singla (2001) have studied about developed a single index of financial performance through the technique of Multiple Discriminate Analysis (MDA), by selecting 11 ratios and selected ratios used as inputs. For the purpose of analysis, they selected only those ratios, which was relevant in distinguish between profit making units and loss-making units in Indian paper industry. They concluded that, the model has correctly classified 82.14 percent of units selected as profit making Profits and loss marking. They mentioned in their study the inventory turnover ratio, interest coverage ratio, net profit to total assets and earnings per share are the most important indicators of financial performance. Also, they suggested suggests that the results of Multiple Discriminate Analysis could be used as predictor of future profitability / sickness.

According to Kasmir (2015) the types of profitability ratios that can be used by companies such as Profit Margin on Sales, Return on Assets (ROA). Return on Equity (ROE), Journal of International Conference Proceedings Earnings per Share of Common Stock In this study, the indicator used to measure the company's profitability is Return on Assets (ROA). This is because ROA is able to measure the effectiveness of the company in generating profits using assets owned by the company.

RESEARCH GAP

The review of literature clearly reveals that no research was previously conducted on the financial performance of kems Shakti precision castings private limited in, Hosur. Hence the research aims to fill the gap analysis the financial performance of the company which some specified ratios and applying statistical tools to analyze the progress and profitability.

RESEARCH METHODOLOGY

The research design used for this project study is Analysis Research design . In the type of research, the past financial data and related record are used to interpret the nature of the organization and its activities.

The secondary data were collected from financial statements periodical and other records maintained by the “KEMS SHAKTI PRECISION CASTING PVT LTD”.

The period of study comprises of five years from 2019-2020 to 2024-2025.

The used for this research are Ratio analysis, correlation analysis and trend analysis.

Ratio analysis is the most widely used tool to analyse the financial health of the business. since it compares risk and return relationship of firm from various aspects. It is the method or activity to understand the relationship of items or group of items in the financial statement , determined and presented. It is an attempt to derive quantitative measures or guides the financial health and profitability of a business enterprise. To analysis the data the following tools were used. The tools are Current ratio, Quick ratio, Debt equity ratio, Gross profit ratio, Net profit ratio, Operating profit ratio, Capital turnover ratio, Return on capital employed, Stock turnover ratio, Fixed assets turnover ratio, Current assets turnover ratio, Inventory ratio, Debtors turnover ratio, Debt collection period ratio.

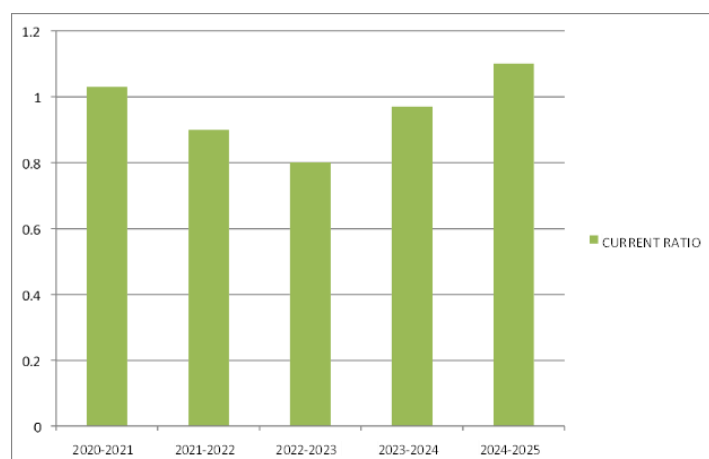
The correlation analysis is the one of the most common and most useful statistics. A correlation is a single number that describes the degree of relationship between two variables. Like Correlation between sales and net profit, assets and current liabilities, assets and net profit, liabilities and net profit.

LIMITATION OF THE STUDY

1. The findings of the study is based only on the information given by the company.
2. Ratio analysis fails to take into consideration, in the market changes.
3. Ratios provide only quantitative information not qualitative information.
4. Study was taken only on the base of balance sheet of the company.

DATA ANALYSIS AND INTERPRETATION**Table 1. Current Ratio**

| Year | Current Assets | Current Liabilities | Current Ratio |
|-----------|----------------|---------------------|---------------|
| 2020-2021 | 402.71 | 390.85 | 1.03 |
| 2021-2022 | 376.58 | 419.83 | 0.90 |
| 2022-2023 | 425.1 | 533.42 | 0.80 |
| 2023-2024 | 550.18 | 564.51 | 0.97 |
| 2024-2025 | 627.01 | 567.59 | 1.10 |

**INTERPRETATION:**

The above table shows the current ratio of the company from 2020-2021 to 2024-2025. During the five years period in the year 2020-2021 it was 1.03 and it decreased to 0.90 in the year 2021-2022, decreased to 0.80 in the year 2022-2023, increased to 0.97 and again increased to 1.10 in the year 2024-2025 indicates below the standard norms of 2:1. A low value of current ratio indicates that it is difficult to pay its current liabilities in all the year.

Table 2. Correlation Between Sales and Net Profit

| Year | Sales(x) | Netprofit (y) | X | Y | X ² | Y ² | XY |
|--------------|----------|---------------|----------|---------|----------------|----------------|---------|
| 2020-2021 | 813.2 | 83.16 | -166.254 | -18.036 | 27640.39 | 325.30 | 2998.56 |
| 2021-2022 | 896.39 | 86.12 | -83.064 | -15.076 | 6899.63 | 227.29 | 1252.27 |
| 2022-2023 | 987.45 | 112.53 | 7.996 | 11.334 | 63.94 | 128.46 | 90.63 |
| 2023-2024 | 1118.09 | 107.75 | 138.636 | 6.554 | 19219.94 | 42.95 | 908.62 |
| 2024-2025 | 1082.14 | 116.42 | 102.686 | 15.224 | 10544.41 | 231.77 | 1563.29 |
| Total | 4897.27 | 505.98 | 2.274 | 1.421 | 64368.31 | 955.77 | 6813.37 |
| Mean | 979.454 | 101.196 | | | | | |

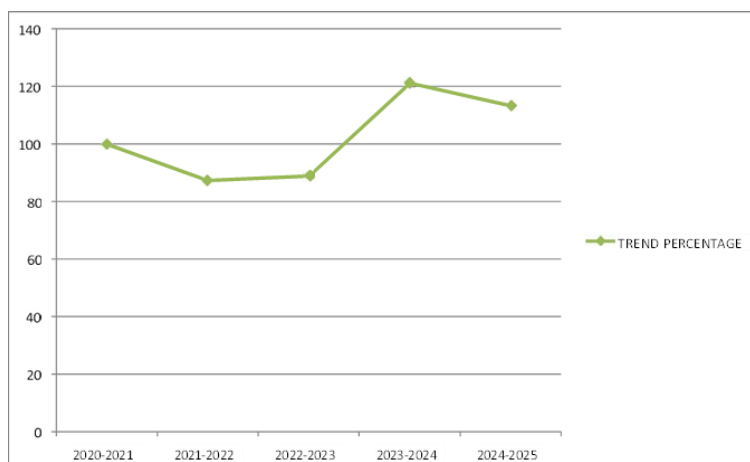
INTERPRETATION:

Since the correlation coefficient between sales and net profit is positive i.e. $r = 0.86$, so there for high sales correspond to high net profit of the company

Table 3. TrendPercentageonCurrentRatio

| Year | Current ratio | Trend percentage |
|-----------|---------------|------------------|
| 2020-2021 | 1.03 | 100 |
| 2021-2022 | 0.90 | 87.37 |

| | | |
|-----------|------|--------|
| 2022-2023 | 0.80 | 88.88 |
| 2023-2024 | 0.97 | 121.25 |
| 2024-2025 | 1.10 | 113.40 |

**INTERPRETATION:**

In the trend analysis has reveals the company has to follow constructive way to increase its current ratio because in the year 2020-2021 was 100%, then 2021-2022 it had decreased to 87.37%, increased to 88.88% in the year 2022-2023, increased to 121.25% in the year 2023- 2024 and again increased to 113.40% in the year 2024-2025.

BALANCE SHEET OF KEMS SHAKTI PRECISION CASTINGS PVT LTD, HOSUR (2020-2025)

(Rs. In lakhs)

| Particulars | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 |
|---------------------------------------|---------------|----------------|----------------|----------------|---------------|
| Equity and Liabilities | | | | | |
| Shareholder's Funds | | | | | |
| Share Capital | 174.17 | 256.36 | 256.26 | 280.76 | 317.52 |
| Reserves and Surplus | 348.35 | 320.65 | 383.75 | 383.56 | 486.98 |
| Money received against share Warrants | Nil | Nil | Nil | Nil | Nil |
| Current Liabilities | | | | | |
| Short-term borrowings | 81.78 | 66.57 | 97.55 | 129.14 | 86.99 |
| Tax and interest | 43.94 | 58.73 | 75.35 | 92.69 | 77.7 |
| Deposits | 44.37 | 104.95 | 112.45 | 156.25 | 256.58 |
| Outstandings and provisions | 38.37 | 96.21 | 98.22 | 75.88 | 45.79 |
| Other current liabilities | 65.99 | 93.37 | 149.85 | 96.22 | 100.53 |
| Non-current Liabilities | | | | | |
| Long term debts | 308.13 | 98.17 | 244.58 | 556.94 | 499.01 |
| TOTAL LIABILITIES | 1105.1 | 1095.01 | 1418.01 | 1771.44 | 1871.1 |
| Non-Current Assets | | | | | |
| Fixed Assets | | | | | |
| Tangible Assets | 468.26 | 479.96 | 509.45 | 814.17 | 755.56 |
| Intangible Assets | Nil | Nil | Nil | Nil | Nil |
| Capital work-in-progress | 234.13 | 239.47 | 483.46 | 407.09 | 488.53 |
| Current Assets | | | | | |
| Inventories | 121.55 | 156.38 | 147.26 | 196.39 | 178.74 |
| Investments | 80.72 | 83.06 | 98.23 | 150.58 | 120.31 |
| Cash at Bank | 103.72 | 73.74 | 92.61 | 117.93 | 231.04 |
| Other current assets | 96.72 | 62.4 | 87 | 85.28 | 96.92 |
| TOTAL ASSETS | 1105.1 | 1095.01 | 1418.01 | 1771.44 | 1871.1 |

SUMMARY OF FINDINGS

1. The current ratio can be clearly seen that the ratio has been decreased from 2020- 2021 to 2022-2023 and increased in the year 2024-2025.

2. The quick ratio of the company shows the 0.63 as the average. It is found to be not satisfactory of the company and it is below the standard norms.
3. The gross profit ratio has been gradually increased from 22.42 to 26.40 during 2021- 2022, 2022-2023, 2023-2024 and 2024-2025.
4. The operating profit ratio increased from 21.57% during 2020-2021 to 26.40 in the year 2024-2025.
5. The capital turnover ratio of firm was continuously decreased and was not used its capital effectively.
6. Return on Capital employed ratio is increased in the year 2020-2021 and 2023- 2024 and decreased in the year 2021-2022, 2023-2024 and 2024-2025.
7. Stock turnover ratio is fluctuating so it indicates that the company is not converting its inventory into cash as quickly as before.
8. Decrease in fixed asset turnover ratio indicates that a business is over-invested in fixed assets.
9. The correlation coefficient between sales and net profit, current assets and current liabilities also the current assets and net profit are positively correlated. The relationship between two variables indicates that both variables move in the same direction
10. Trend analysis is a technique used in technical analysis that attempts to predict future stock price movements based on recently observed trend data. The trend percentage was increasing in all the year.

SUGGESTIONS

1. The company needs to increase the short-term financial position through increase in current assets and current liabilities.
2. The company needs to pay attention towards the decrease of the expenses in order to avoid loss in the business.
3. The management can take right decision to maintain the ratios so that they can maintain their liquidity position in the long run in their business.
4. The company has to meet its working capital efficiently and effeciently.
5. The company can use the inventory to some extent and increase sales in the business.

CONCLUSION

From the financial performance came to know the way of classification of the balance sheet and their methods of costing even the risk taken by kems Shakti precision castings private limited was clearly understood through this project work.

So, thus the project is concluded with the composition of performance of company by taking the classification in the terms of balance sheet amount for 5 years. Thus, company's financial position, liquidity position and profitability position were not satisfactory. It also enabled us to learn the techniques of analyzing, interpreting and correlating them with facts observed through analysis.

DIRECTIONS FOR FUTURE RESEARCH

1. The management of organization should see that the cost involved in the production and operation program most effectively.
2. Beyond the limitations discussed, there are many other factors of interest that can be suggested for the future research, due to practical and time constraint the conceptual and methodological limitations considered when design future research.
3. Firstly, the study sets a foundation for research on relationship between the support of organization level of production and the effectiveness in operation process. This research will help managers to identify and apply the most effective sources of production of new products.
4. It helps financial managers work for building and maintaining the financial health of an organization.
5. The purpose of financial analysis is to evaluate the past, current and future performance and financial position of company for making investments and other economic decisions.

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