

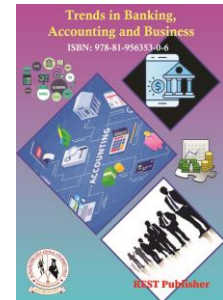


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A Study on Financial Performance Analysis in Merino Industries Pvt Ltd Hosur

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Abstract: *This study delves into the financial performance analysis of Merino Industries Pvt Ltd, aiming to provide comprehensive insights into the company's fiscal health and efficiency in utilizing resources. Employing a mixed-methods approach, both quantitative and qualitative analyses are conducted to evaluate various financial metrics, including profitability, liquidity, solvency, and efficiency ratios. The research integrates financial statement analysis, trend analysis, and benchmarking against industry standards to assess Merino Industry's financial standing. Additionally, interviews with key stakeholders provide qualitative perspectives on the company's financial strategies and management practices. The findings of this study not only offer a deep understanding of Merino Industries' financial performance but also provide valuable recommendations for enhancing its financial management practices and sustaining long-term growth and profitability.*

Key Words: *Profitability ratio, Liquidity Ratio, Financial Performance analysis, Financial statement analysis, Trend analysis*

1. INTRODUCTION

Financial analysis involves the use of financial statements. A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as in the case of a Balance sheet or may reveal a series of activities over a given period of time, as in the case of an Income statement. Thus, the term 'financial statements' generally refers to two basic statements: the balance sheet and the Income statement. The Balance sheet shows the financial position (condition) of the firm at a given point in time. It provides a snapshot and may be regarded as a static picture. "Balance sheet is a summary of a firm's financial position on a given date that shows Total assets=Total liabilities + Owner equity." The income statement reflects the performance of the firm over a period. "Income statement is a summary of a firm's revenues and expenses over a specified period, ending with net income or loss for the period."

2. OBJECTIVES OF STUDY

To study and ascertain the impact of EPS on the overall performance of the Merino Industries industries.

To ascertain the strengths and weakness of the company.

To suggest measures for future improvement.

To study the level of satisfaction of the workers by the welfare facilities provided by the company.

3. SCOPE OF THE STUDY

Company's business profile briefly.

Financial comparison of the company with its peers.

Study of the major internal and external factors affecting the company, in the form of SWOT framework.

4. LITERATURE REVIEW

Narender Sharma and Monika Mittal, 2019 "Financial Performance Analysis: A Comparative Study of Commercial Banks in India". This study analyzes the financial performance of ten commercial banks in India using various financial ratios such as liquidity ratios, profitability ratios, and solvency ratios.

Bhavik R. Madhwani, 2017 "Analysis of Financial Performance Using Ratio Analysis" This article provides an overview of ratio analysis and its importance in analyzing the financial performance of companies. The author discusses the different categories of financial ratios such as liquidity ratios, profitability ratios, and activity ratios, and provides examples of each.

Dr. K. Ramaiah, 2018 "Financial Performance Analysis of Indian Banks A Comparative Study" This study examines the financial performance of seven public sector banks and seven private sector banks in India for the period 2013-2017. The authors use various financial ratios such as profitability ratios, asset quality ratios, and capital adequacy ratios to evaluate the performance of these banks.

Sreekanth Jonnada and Rama Krishna Reddy Kummara, 2020 "Financial Performance Analysis of McDonald's Corporation" This study analyzes the financial performance of McDonald's Corporation for the period 2014-2018 using various financial ratios such as liquidity ratios, profitability ratios, and efficiency ratios.

P. Nirmala and Dr. R. Anitha, 2019 "Analysis of Financial Performance of Small and Medium Enterprises (SMEs) in India" This study examines the financial performance of Small and Medium Enterprises (SMEs) in India using various financial ratios such as liquidity ratios, profitability ratios, and solvency ratios.

R. Divya and Dr. P. Lakshmi Devi, 2018 "Financial Performance Analysis of Apple Inc." This study analyzes the financial performance of Apple Inc. for the period 2013-2017 using various financial ratios such as profitability ratios, liquidity ratios, and activity ratios. The authors compare the financial ratios of Apple Inc.

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Vikas Gautam and Shweta Singh, 2018 "An Empirical Analysis of the Financial Performance of Indian Telecom Industry" The study finds that the telecom industry has been facing financial distress due to intense competition and regulatory changes. This study provides a comprehensive analysis of the financial performance of the Indian telecom industry and can be useful for investors, regulators, and policymakers.

Iyad Mohammed Dhafer Al-Deen, 2019 "Financial Performance of Islamic Banks: A Comparative Study of GCC Countries and Malaysia". The authors analyze the financial statements of 45 Islamic banks and provide insights into their financial performance. The study finds that Islamic banks in Malaysia have a better financial performance compared to those in GCC countries. This study provides valuable insights into the financial performance of Islamic banks and can be useful for investors, regulators, and policymakers.

Shweta Jain and Poonam Rani, 2020 "A Comparative Analysis of Financial Performance of Public and Private Sector Banks in India" This study compares the financial performance of public sector banks and private sector banks in India for the period 2013-2018 using various financial ratios such as profitability ratios, asset quality ratios, and capital adequacy ratios. The authors analyze the financial statements of 20 banks and provide insights into their financial performance.

Dr. G. Arulmozhi and R. Balamurugan, 2019 "A Study on Financial Performance Analysis of Indian Cement Industry" This study analyzes the financial performance of the Indian cement industry for the period 2014-2018 using various financial ratios such as liquidity ratios, profitability ratios, and solvency ratios. The authors compare the financial ratios of major cement companies in India and provide insights into the industry's financial position. The study finds

that the Indian cement industry has a strong liquidity and solvency position, but its profitability has declined over the years.

Bassam Al-Shamaileh and Abdullah Al-Mutairat, 2021 "The Impact of Intellectual Capital on the Financial Performance of Banks in Jordan ".This study examines the relationship between intellectual capital and financial performance of banks in Jordan using a sample of 14 banks for the period 2014-2019. The authors use a regression analysis to determine the impact of intellectual capital on various financial performance measures such as return on assets and return on equity.

Dr. Kavita Khanna and Jaspal Kaur, 2020 "A Comparative Study of Financial Performance of Indian Pharmaceutical Companies" This study compares the financial performance of major Indian pharmaceutical companies for the period 2015-2019 using various financial ratios such as profitability ratios, liquidity ratios, and debt ratios. The authors provide insights into the financial position of these companies and analyze the factors influencing their financial performance.

5. RESEARCH METHODOLOGY

Financial analysis involves the use of financial statements. A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as in the case of a Balance sheet or may reveal a series of activities over a given period, as in the case of an Income statement. Thus, the term ‘financial statements’ generally refers to two basic statements: the balance sheet and the Income statement.

6. DATA ANALYSIS

1. Quick Ratio: This ratio is also known as acid test ratio. It is a more severe test of liquidity of a company. It shows the ability of a business to meet its immediate financial commitments. It is used to supplement the information given by the current ratio.

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

TABLE 1. Showing the Quick Ratio for the period of 2018-2023

Year	Quick Assets (In Crs)	Current Liabilities (In Crs)	Quick Ratio
2018-2019	1402.17	3054.21	0.46
2019-2020	1585.97	3375.13	0.47
2020-2021	1395.3	3251.55	0.43
2021-2022	1418.63	4804.81	0.30
2022-2023	1286.96	2817.84	0.46

Correlation: 0.24424

Inference, the relation between quick assets and current liabilities is perfectly positive sign (+0.24424).

Interpretation: From the above analysis, it is clear that the quick ratio is fluctuating over the five-year period. It is interpreted that the current assets constitute more inventories, it is not satisfactory increase as quick liabilities are more than the quick assets. In the year 2019, the quick ratio is 0.47 which is slightly higher than the other years, because the current assets constituted less of inventories and more of other current assets components which is why there is a significant difference between current assets and quick assets.

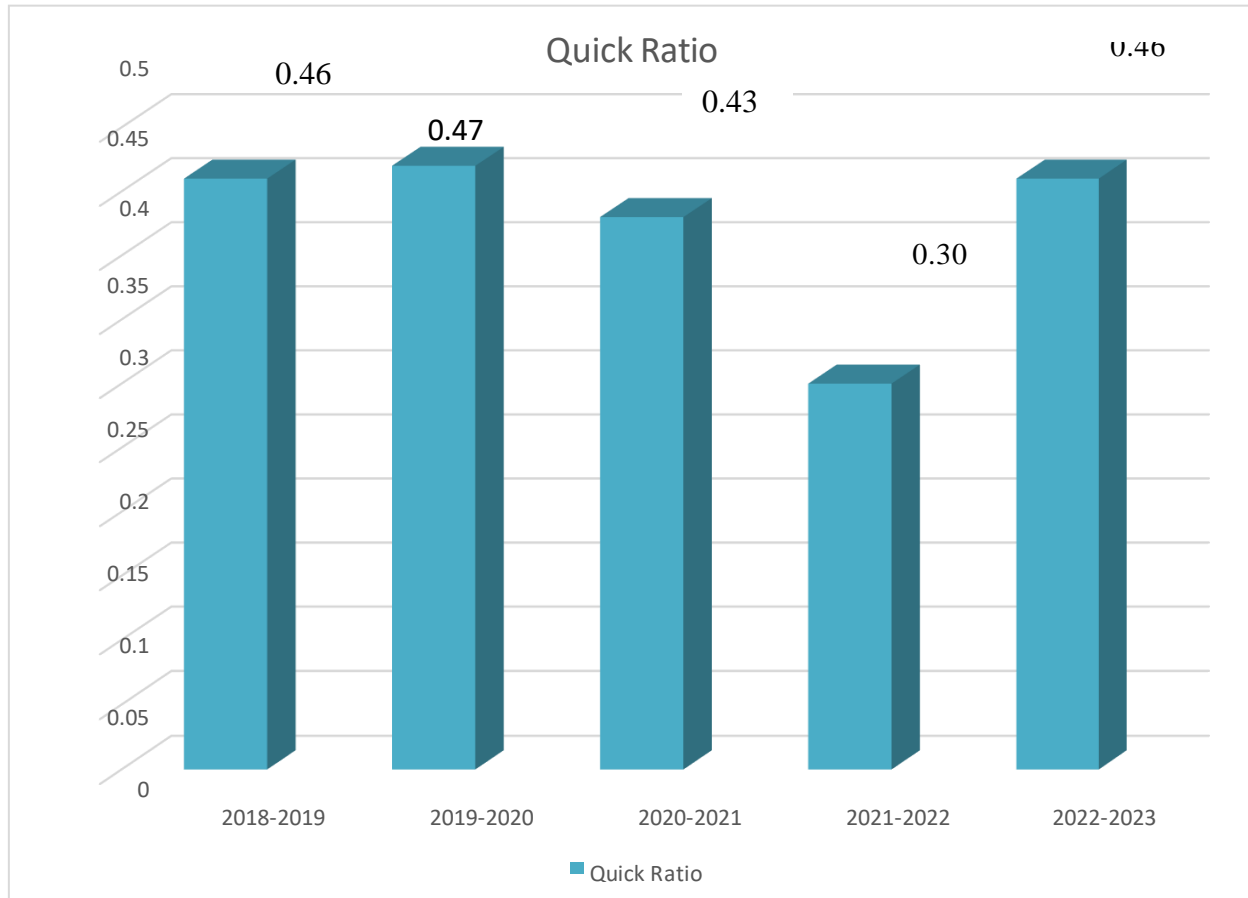


FIGURE 1. Showing the Quick Ratio for the period of 2018-2022

7. FINDINGS

1. The current assets of the firm are continuously increasing from 2018 to 2022. So, the higher the current assets are, the higher the margin of safety that the company possesses to meet its current liabilities. The current assets greater than It indicates that the company is financially good, and it is less likely to fall into financial difficulties.
2. The EPS of the company keeps continuously increasing from 2018-2022. In the year 2022 it shows highest earnings of Rs.51.26 per share. The interpretation of the company's earnings position is good, and it is continuously increasing over the period of five years. In the year 2018, 2019 it is increasing but in the year 2020 it is decreased due to decrease in PAT and the year 2022 the EPS has been increased drastically due to increase in PAT.
3. The liquidity position of the company is considered satisfactory. The current asset constitutes more of inventories and the company is not maintaining the cash in hand and at bank as well as not invested in short term marketable securities during the period of study.
4. The gross profit ratio shows a fluctuating trend over the years. In 2019 and 2020 it was lowest at 11% and 10% due to the low sales compared to previous years this leads to decrease in gross profit. In 2021 it came up to 14% from 10% due to a high increase in sales.

5. The net profit of the company has been increasing from year to year, even though the gross profit during that period has come down. It is understood that the net profit of the firm is continuously increasing 2018 -2022. It is observed that the net profit has been gradually increasing from year to year. The year 2022 has a sudden rise in net profit to 34% due to discounted operations in the previous year.
6. The average collection period of the company is around 33days in a month. This shows the effective collection of debt.

8. SUGGESTIONS

The liquidity position of the company may be improved by maintaining optimum current assets and liquid assets according to the standard norms. It is suggested that the company can invest in short-term marketable securities and should maintain cash in hand and at a bank to meet short term requirements of the company. The proposition of inventories in current assets seems to be more. It is suggested to follow just-in-time or safety stock level techniques in inventory management. It is better to maintain consistency in sales growth and make efforts to reduce the cost of production that leads to an increase in contribution. The company can take initiatives to bring down the average collection period of debtors so that it will improve the operational efficiency of the company. It is suggested to bring down the collection period from 33 days in a one month. The company did not barrow any funds from outside in the year 2018-2019 the optimum capital structure should not contain some portion of debt capital, it benefits to the company in tax savings and reduction in cost of capital. The company may use its assets effectively and efficiently so that the company's net income may increase.

9. CONCLUSION

The study is done on the analysis of financial performance at Merino Industries Industries limited, Hosur. From the above summary we can conclude that Merino Industries industries Ltd is satisfactory in it's over all financial performance. The increasing trend shows that the firm is growing very rapidly. In general, the firm has achieved tremendous progress over the recent years. The firm has a healthy financial position. The firm has been able to achieve rapid growth across multiple parameters, including customers acquisition, geographical spread, business volumes and revenues. From the above analysis and findings, it is concluded that the management has been efficiently managing their sales which is reflected, the continuous improvement in sales over the period of years, The researcher feels that Merino Industries industries limited has a very good reputation in the market and good future ahead.

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