

# Financial Performance Analysis of Sri Karpagam Steels Pvt Ltd

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*Abstract- Financial Performance Analysis is an integral tool used in examining how efficient and stable the performance of an organization is. This research paper aims at analysing the financial performance of Sri Karpagam Steels Pvt Ltd for the next five years between 2020 and 2025. In this research, a number of significant financial measures will be selected in order to determine the performance of the company in terms of profitability, liquidity, and solvency using financial tools such as ratio analysis, trend analysis, comparative analysis, and regression analysis. Information for this research will be sourced from secondary data sources such as annual reports and financial statements. Results show that the company shows a steady increase in its sales and assets, moderate profitability (net profit margin ~7%), good liquidity (current ratio >1.5), and increased solvency due to lower debt ratios.*

*Keywords- Financial Performance, Ratio Analysis, Profitability, Liquidity, Solvency, Steel Industry*

## I. INTRODUCTION

The analysis of financial performance is highly important for evaluating the effectiveness of resource utilization and financial management within a business organization. Financial performance analysis helps in understanding the financial health, profitability, and viability of an organization. Since the steel manufacturing industry involves heavy investments, volatile prices of raw materials, and intense competition, efficient financial management becomes imperative.

Sri Karpagam Steels Pvt Ltd is functioning in a highly competitive environment, where financial performance is necessary to survive and sustain itself. Efficient financial management is vital for the company to compete with other businesses and establish itself as a dominant player in the industry.

## II. LITERATURE REVIEW

Earlier literature has focused on the relevance of financial performance analysis for evaluating the performance of organizations. Arab & Georgee (2014) conducted an analysis of financial strength of steel industries operating in India with focus on solvency and liquidity. Kondala Rao (2017) conducted financial performance analysis using ratio analysis among public sector steel companies. The study by Das (2021) on profitability and efficiency of steel companies revealed notable variations between them. Yadav (2021) examined the effects of capital structure and indicated the negative impact of high debt on financial performance. Recent literature focuses on the significance of financial planning and optimal capital structure.

## III. STATEMENT OF THE PROBLEM

Financial issues confronting steel production firms include high production costs, fluctuating demand, and high capital intensity. It is not certain if the financial stability of Sri Karpagam Steels Pvt Ltd is satisfactory, in terms of profits, liquidity, and solvency. For that reason, it becomes important to conduct an in-depth study into its financial standing.

## IV. OBJECTIVES OF THE STUDY

1. To study the profitability status of the organization
2. To assess the liquidity status of the organization
3. To study the solvency status of the organization
4. To study the overall financial performance of the organization

## V. RESEARCH METHODOLOGY

The descriptive research methodology is used in this study to determine the financial performance of Sri Karpagam Steels Pvt Ltd. This research methodology uses secondary data that is obtained from financial records, such as balance sheets and profit & loss accounts, over a period of five years (from 2020 to 2025). These pieces of data are analysed through different methods such as ratio analysis, trend analysis, comparative analysis, and regression analysis.

## VI. DATA ANALYSIS AND INTERPRETATION

The financial position of the firm is analysed using several financial techniques:

**Liquidity Ratios:** Current ratios have been constant ranging from 1.58 and 1.60; hence, adequate liquidity. On the other hand, quick ratio has been fluctuating between 0.83 and 0.90, which suggests dependency on inventories.

**Profitability Ratios:** Gross profit margin was maintained at 20%, whereas the net profit margin was constant ranging between 6.7% and 7.7%.

**Solvency Ratios:** Debt-equity ratio decreased from 0.47 to 0.32 during the analysis period, thus depicting low financial risk and stability.

**Trend Analysis:** Sales rose from ₹4200 lakhs to ₹5500 lakhs, while total assets grew consistently suggesting growth in business.

**Regression Analysis:** There has been a direct association between sales and profits.

## VII. FINDINGS

Sales and assets have been consistently increasing for the business

- Profitability ratio remains stable without any fluctuations
- Good liquidity position
- Solvency position improved because of reduced liabilities
- Financial risk reduced through time

- There is a positive correlation between sales and profit

## VIII. DISCUSSION

It is evident from the research findings that there exists a balance in financial performance at Sri Karpagam Steels Pvt Ltd, where growth is also evident. The consistent profitability ratio indicates that cost control measures have been effectively implemented by the firm. On the other hand, the trend towards falling debts is an indication of effective financial planning within the company. Nevertheless, the variations in the net profit show that further cost control measures should be adopted. Financial performance at this firm mirrors industry trends.

## IX. SUGGESTIONS

Better management of costs for increased profit margins

- Ensure that sufficient working capital is maintained
- Reduce debts to reduce risks to the organization
- Modernize by investing in technology
- Widen your scope of operation

## X. LIMITATIONS OF THE STUDY

This research is conducted using secondary data sourced from the company's accounting statements alone. Time frame of this study is limited to five years only without any comparison to any other firm. Environmental factors like market environment, inflation rate, and competition do not feature in this study. Different results can be achieved with different data sets and analysis techniques.

## XI. FUTURE SCOPE OF THE STUDY

Future studies may incorporate more years' data on finance to perform a thorough analysis. Further studies can also make comparisons between this company's performance and that of other steel companies. Future researches may use advanced statistical tools like SPSS. Other external variables can also be considered in the analysis of data.

## XII. CONCLUSION

From the results of this analysis, one can infer that Sri Karpagam Steels Pvt Ltd has managed to maintain its stability throughout the study period. The firm has been showing steady growth in both sales and assets and good liquidity and solvency ratios. Even though there are slight changes in the profit margins, all other aspects of business have been performing satisfactorily.

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