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A Study on Financial Performance Analysis At Young Brand Apparel PVT Ltd

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ABSTRACT

Financial Analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the Balance Sheet and the Profit and Loss Account. The project work is an outcome of "a study on financial performance analysis at young brand apparel pvt ltd", The study was carried out for the period of five years (2019-23) to analyse the financial performance of the company, are taken for study. The research design of the study is descriptive research design and secondary data was collected from the published websites of organization for the research. The tools used for analysis is comparative ratio analysis of the balance sheet. Suitable ratios were framed and calculated to know the financial performance of the company. The findings from the analysis were discussed in detail and suggestions for corrective actions like maintain good solvency in order to meet short term and long-term obligations were given wherever applicable.

Keywords: Gross Profit margin, Quick Ratio, Net Income.

1. INTRODUCTION

Financial performance analysis is a critical process used to evaluate a company's financial health and operational efficiency. It involves assessing key financial metrics, such as profitability, liquidity, solvency, and efficiency, to understand how well the organization utilizes its resources. By analyzing financial statements, including the income statement, balance sheet, and cash flow statement, stakeholders can gain insights into a company's strengths and areas for improvement. This analysis helps in identifying trends, comparing performance against industry benchmarks, and making informed decisions. It is crucial for investors, creditors, and management to evaluate growth potential, risk factors, and overall financial stability. Effective financial analysis supports strategic planning and enhances organizational performance. Ultimately, it is a cornerstone for achieving long-term success in a competitive environment.

- **OBJECTIVE**
- To interpret the financial performance of the company
- To analyse the liquidity &Solvency ratio.

2. REVIEW OF LITERATURE

- **Ramaratnam and Jayaraman (2010)** used financial ratios in terms of liquidity, profitability, variabi-

lity and sustainability to measure the financial performance of Indian steel industry for a period of five years from 2005 to 2010. Their study reveals that the critical situation faced by the Indian steel industry is due to overcapacity and demand slowdown resulting in price cuts.

- **Pandya (2011)** has done his Ph.D on "A comparative analysis of liquidity and profitability of Indian car industry". In this research he has selected four units of auto sector and for analysing the performance of selected units, he has been made Inter-firm comparison by using ratios, trend analysis, ANOVA test and for the better understanding of some important matter was to be presented by graph.
- **Acharya (2013)** compared the liquidity position of TATA Steel Ltd. and SAIL and studied the relationship that exists between liquidity and profitability of both the companies. The purpose of the study was to investigate the liquidity management efficiency and profitability position of selected steel companies
- **V. Vijayalakshmi and M. Srividya (2014)** in their study stated that the financial health plays a significant role in the successful management of a company. The analysis practically reveals that gross profit ratio, operating ratio, return on equity capital, and earnings per share, have significant effect on the net profit ratio of the selected pharmaceutical companies during the study period. However, profitability of the selected pharmaceutical companies in India during the study period is satisfactory.
- **Rooh Ollah Arab, Seyed Saadat Masoumi and Azadeh Barati (2015**) examined the financial performance of identified units in the steel industry in India in terms of financial ratios such as Liquidity, Solvency, Activity and Profitability position. For this study, Tata Steel Ltd., Jindal Steel & Power Ltd., J S W Steel Ltd., Bhushan Steel Ltd. and Steel Authority of India Ltd. are selected for this study
- **Dr.C.Balakrishnan (2016)** observed that financial performance of any organization is influenced by several factors like capital structure, cost, revenue and the consequential profit margin. The study can be analyzed with many aspects like financial facts, financial ratios, financial health, financial strength and utilization of assets, etc
- **Kanagavalli. G& Devi R.S. (2018**) examined a study on Financial Performance of selected automobile companies. The purpose of the study is to evaluate and compare the financial performance of selected three companies to rate their financial performances for the period of 5 years from 2013-2017 by ratio analysis.
- **Dalvadi & Tagariaya (2019),** studied shareholders returns of selected Infrastructure companies in India during the period from 2013-14 to 2017- 18 through ratio analysis. The statistical tools used for analysis are mean, standard deviation, one-way Anova test etc. They found that there is no significant difference in the performance of the selected Infrastructure companies in India in terms of shareholders return and financial performance during the study period.
- **Nirmala. M & Pavithra. K (2020)** The research was conducted to investigate the determinants of the financial performance on selected cement companies In India. Infrastructure is the first key role of demand in the production of cement. For this study, the analysis was done by ratio analysis.
- **Kishore Kumar Das & Rupsa Mahapatra (2021**) carried out the study on Financial Performance of MSME sector. MSME is an important pillar of Indian economy as this sector is continuously contributing greatly to the growth and development of Indian economy by creating around 70 million employment, manufacturing more than 6000 products, contributing more than 45% of manufacturing production and 40% from exports.

3. RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying now research is done systematically. In that various step, those are generally adopted by a researcher in studying his problem along with the logic behind them. It is important for research to know not only the research method but also know methodology. "The procedures by which researcher go about their work of describing explaining and predicting phenomenon are called methodology." Methodology is an essential aspect of any project or research. It enables the researcher look at the problem in a systematic manner. Methods comprise the procedures used for generating, collecting and evaluating data. All this means that it is necessary for the researcher to design his methodology for his problem as the same may differ from problem to problem.

3.1 Collection of Data

Collection of data refers to the process of gathering, measuring, and recording information from various sources to achieve specific objectives. It involves obtaining accurate and relevant data for analysis, decision-making, and research purposes. Data can be collected through methods like surveys, interviews, observations, or reviewing records. Effective data collection ensures the reliability and validity of the study or analysis.

There are two types of collecting data,

- Primary Data
- Secondary Data

This research study includes collection of secondary data.

SECONDARY DATA

The data are collected from the annual reports, mainly balance sheet, income and expenditure and other brochures of the company for a period for five years from 2020-2024. The data for the analysis are collected and gathered from the printed reports like annual reports, official files, records and other available related materials.

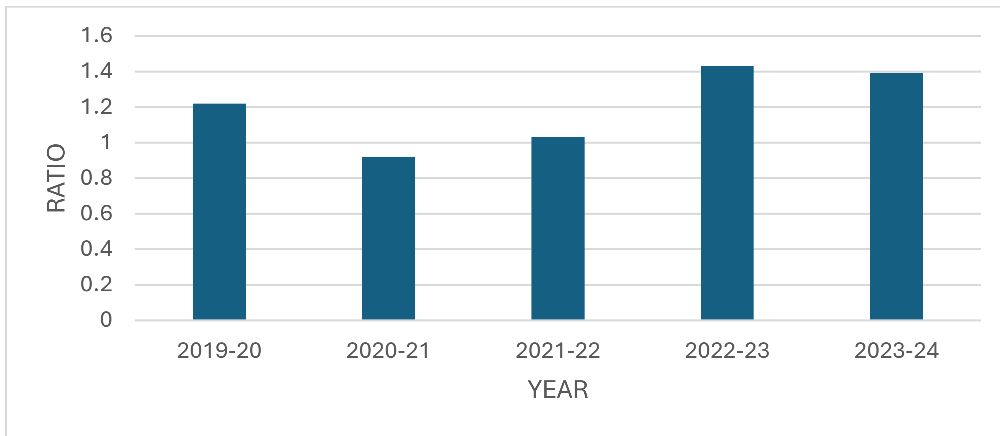
4. DATA ANALYSIS AND INTERPRETATION

DEBT EQUITY RATIO

Expresses the relationship between the external equities and internal equities or the relationship between borrowed funds and „owners‟ capital. It is a popular measure of the long- term financial solvency of a firm. This relationship is shown by the debt equity ratio. This ratio indicates the relative proportion of debt and equity in financing the assets of a firm. This ratio is computed by dividing the total debt of the firm by its equity (i.e.) net worth.

$$\text{Debt equity ratio} = \frac{\text{Total long-term debt}}{\text{Shareholders' funds}}$$

Year	Total Long –Term Debt	Shareholders' Funds	Ratio
2019-20	1958.89	1603.13	1.22
2020-21	1530.13	1651.68	0.92
2021-22	1778.89	1712.91	1.03
2022-23	2283.40	1596.77	1.43
2023-24	2222.63	1589.14	1.39



INFERENCE

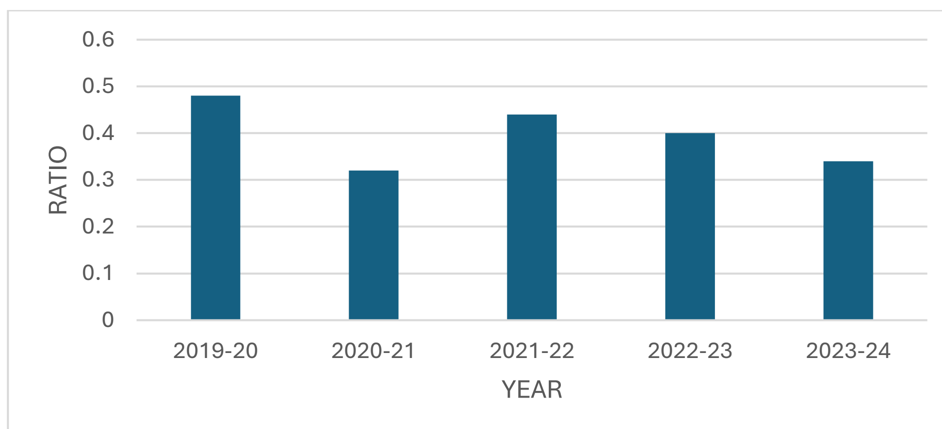
The above table shows that the debt equity relationship of the company during the study period. It was 1.22 in the year 2019-20 and then decreased come down to 0.92 in the next year 2020-21 onwards it ultimately increased to 1.03 to 1.43. Again, it was increased from the year 2023-24 is 1.39. Hence the company is good maintaining its debt position

LIQUIDITY RATIO

The term "liquidity" refers to the ability of a firm to pay its short-term obligation and when they become due. The term quick assets or liquid assets refers current assets which can be converted into cash immediately and it comprises all current assets except stock and prepaid expenses it is determined by dividing quick assets by quick liabilities.

$$\text{Liquid ratio} = \frac{\text{Liquid asset}}{\text{Current liabilities}}$$

Year	Liquid assets	Current Liabilities	Ratio
2019-20	943.33	1962.64	0.48
2020-21	759.52	2349.68	0.32
2021-22	926.66	2084.85	0.44
2022-23	843.13	2103.16	0.40
2023-24	670.42	1962.54	0.34



INFERENCE

The above table shows that the liquidity ratio during the study period is 0.48 in the year of 2019-20 and further increased to 0.32 in 2020-21. Then next year of 2021-22 it was increased to 0.44. Then last year of 2023-24 it was decreased to 0.34. It has been decreasing and the abnormal ratio. Hence the firm is not controlling its stock position because there are in- linear relationship between current ratio and liquidity ratio.

FINDINGS

DEBT EQUITY RATIO

The company's debt position improved as the ratio increased to 1.39 in the year 2023-24. This indicates that the company is effectively managing its debt obligations, maintaining a stable financial structure, and ensuring a healthy balance between liabilities and assets. Such progress reflects the company's ability to meet its financial commitments while sustaining operational efficiency, which is a positive indicator of its overall financial health.

LIQUIDITY RATIO

The firm is not effectively controlling its stock position due to the lack of a linear relationship between the current ratio and the liquidity ratio. This suggests that the firm's management of inventory levels and short-term obligations is not well-aligned, leading to inefficiencies in liquidity management. Without a clear connection between these two financial metrics, the firm may face challenges in optimizing its working capital and maintaining a healthy financial position. Addressing this issue requires a more strategic approach to inventory control and a better understanding of the dynamics between current assets and liabilities.

CONCLUSION

The analysis of Young Brand Apparel Pvt Ltd.'s financial performance reveals critical insights into its operational and financial efficiency. Over the review period, the company exhibited a fluctuating trend in key financial ratios, such as the current and liquidity ratios, which indicate challenges in maintaining short-term solvency. The declining fixed asset ratio suggests a reduction in long-term fund allocation to fixed assets, while the proprietary ratio shows a downward trend, reflecting decreased owner contributions to total assets. Despite these challenges, the company demonstrated an improved debtor turnover ratio, indicating better debt collection efficiency during the final year. However, the negative working capital turnover ratio and decreasing cash to working capital ratio highlight inefficiencies in working capital management and strained liquidity, raising concerns about the firm's ability to meet short-term obligations. Moving forward, Young Brand Apparel must adopt strategic measures to address these financial vulnerabilities. Enhancing liquidity through optimized inventory and receivables management, coupled with prudent cost control, can help improve working capital efficiency. The company should also focus on leveraging its strengths, such as its ability to maintain competitive sales-to-fixed-assets ratios, by investing in technology and innovation to sustain long-term growth. Implementing comprehensive financial planning and risk management practices will be vital in achieving stability and supporting profitability. These efforts, aligned with the company's operational objectives, will ensure a robust financial foundation and sustainable growth trajectory in an increasingly competitive apparel industry.

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