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Analsyis Of Financial Performance Of G.M. Industries

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Abstract: This study analyzes the financial performance of G.M. Industries, a mid-sized manufacturer of pumps and motors operating for over 15 years. The analysis focuses on assessing the company's profitability, liquidity, and solvency by examining financial data from 2019-20 to 2023-24 using ratio analysis, trend analysis, and comparative financial statements. Key findings highlight the company's improving financial health, with a strong current ratio of 2.20 in 2022-23, a gross profit ratio of 75.88% in 2023-24, and a notable net profit ratio of 48.47% in 2023-24, reflecting cost efficiency and profitability. However, the study identifies areas requiring attention, such as the declining absolute liquid ratio and fluctuating debt-to-equity ratio, which peaked at 1.04 in 2020-21, indicating periods of higher financial risk. The research provides valuable insights for management to enhance operational efficiency, improve cost control, and strengthen financial stability. By addressing identified gaps and focusing on sustainable growth strategies, G.M. Industries can continue to strengthen its market position and maintain long-term profitability.

***Index Terms* -** Financial Performance, Ratio Analysis, Liquidity, Profitability, Solvency, G.M. Industries, Manufacturing Sector

I. INTRODUCTION

Financial analysis refers to the process of studying and assessing a company's financial statements—a collection of data and figures organized according to recognized accounting principles. The aim is to understand the company's business model, the profitability (or loss) of its operations, and how it's spending, investing, and generally using its money—summarizing the company by the numbers, so to speak. Financial analysis is used to evaluate economic trends, set financial policy, build long-term plans for business activity, and identify projects or companies for investment. This is done through the synthesis of financial numbers and data.

II. STATEMENT OF THE PROBLEM

In the competitive manufacturing industry, analyzing financial performance is vital due to fluctuating costs, competition, and evolving customer demands. Financial management plays a key role in business growth by ensuring efficient use of resources and maintaining operational stability. Financial statement analysis helps assess profitability, liquidity, and solvency using methods like trend analysis, common-size statements, and ratio analysis. This enables both management and stakeholders to make informed decisions and plan for sustainable growth.

III. SCOPE OF THE STUDY

This study analyzes the financial performance of G.M. Industries, focusing on profitability, solvency, and liquidity to assess the company's growth. Ratio analysis is used to evaluate the current financial position. The analysis identifies financial strengths and weaknesses, focusing solely on the company's data for an in-depth trend examination. It provides insights for management on cost control and resource allocation but is limited to secondary data, excluding qualitative factors and external influences unless directly impacting performance.

IV. OBJECTIVES OF THE STUDY

- To assess the financial performance of G.M. Industries over the last five years.
- To analyze profitability, liquidity, and solvency trends.
- To recommend strategies for improving financial performance.

V. RESEARCH METHODOLOGY

Research Methodology is way to systematically solve the research problem. It specifies the approach the researcher intends to use with respects to proposes steady scientifically.

NATURE OF DATA

Secondary data has been used to collect the data for this research, like annual reports of companies, previous research papers, magazines, journals, and the internet.

DATA ANALYSIS

The collected data are analyzed using:

- Ratio Analysis.
- Comparative financial statement analysis
- Common size financial statement analysis
- Trend analysis

PERIOD OF STUDY

Five years of financial statements have been analysed under this study. That is 2019 to 2024.

VI. LIMITATIONS OF THE STUDY

- ✓ This study uses secondary data from G.M. Industries' financial statements, with potential inaccuracies affecting the analysis.
- ✓ Non-financial factors like managerial efficiency and employee satisfaction are excluded.
- ✓ The study focuses only on G.M. Industries without comparing industry benchmarks.
- ✓ Analysis is limited to a five-year period, which may not capture long-term trends.

VII. REVIEW OF LITERATURE

Dr. S. S. Jadhav Associate, Jai Prakash (2024) This study analyzes the financial stability of the Indian automobile industry by evaluating key indicators such as profitability, liquidity, and solvency. It examines the industry's adaptability to macroeconomic challenges like supply chain disruptions, rising input costs, and changing environmental regulations. The study also explores the impact of government initiatives like the PLI scheme and electric vehicle adoption on the sector's financial health. Through qualitative and quantitative analysis, it provides insights into the industry's sustainability, resilience, and growth potential in a dynamic economic environment.

A. Elayabharathi, D. Sharon (2024) This research aims to evaluate the financial performance of Yamaha Motor Co. Ltd during 2017-2023. Data has been collected from the official website of Yamaha Motors Co. Ltd and other journals. Financial statement analysis identifies a firm's strengths and weaknesses by establishing relationships between items in the balance sheet and profit and loss account. Key ratios such as Current Ratio, Quick Ratio, Debt to Equity Ratio, Operating Margin, and Net Profit Margin are used to assess performance. This study applies ratio analysis to measure Yamaha Motor Co. Ltd's financial stability and efficiency over the specified period.

Danil Syahputra and Supiah Ningsih (2024) This research aims to investigate the impact of sub-manufacturing companies on the Stock Exchange on profitability, liquidity, and activity. The study employed a quantitative research method and utilized purposive sampling to select 10 out of 26 companies that met the researcher's criteria. The research examines the effects of profitability, liquidity, and activity ratios on financial performance in Indonesian manufacturing firms, revealing that profitability is the most significant factor influencing performance.

VIII. DATA ANALYSIS AND INTERPRETATION

LIQUIDITY RATIO

Table No 8.1 Liquidity Ratio of G.M. Industries

FINANCIAL YEARS	CURRENT RATIO	CASH RATIO
2019-2020	2.19	0.02
2020-2021	2.1	0.13
2021-2022	2.17	0.06
2022-2023	2.2	0.05
2023-2024	1.98	0.06

Interpretation:

The company's Current Ratio averaged 2.13, indicating a strong ability to meet short-term obligations, though a slight dip to 1.98 in 2023-2024 suggests a minor decline in liquidity. The Cash Ratio averaged 0.06, reflecting a low proportion of cash and cash equivalents relative to liabilities, which may limit immediate liquidity. Overall, the company maintains a healthy liquidity position but should aim to improve its cash reserves to enhance financial flexibility.

PROFITABILITY RATIO

Table No 8.2 Profitability Ratio of G.M. Industries

Financial Years	Gross Profit Ratio	Operating Ratio	Operating Profit Ratio	Net Profit Ratio	ROCE	Return on Assets
2019-2020	47.37%	88.63%	11.37%	8.08%	24.30%	11.79%
2020-2021	47.39%	83.81%	16.18%	10.46%	22.17%	9.27%
2021-2022	44.41%	85.39%	14.60%	13.08%	55.10%	11.43%
2022-2023	73.07%	56.62%	43.38%	41.08%	18.63%	11.45%
2023-2024	51.76%	59.97%	40.25%	48.47%	14.63%	11.94%

Interpretation:

The company's financial performance shows steady improvement over five years. The Gross Profit Ratio averaged 52.00%, indicating effective cost control, with a peak of 73.07% in 2022-2023. The Operating Ratio averaged 74.08%, reflecting improved operational efficiency, especially in recent years. The Net Profit Ratio, averaging 24.63%, shows strong profitability growth, peaking at 48.47% in 2023-2024. ROCE averaged 26.97%, with high returns in 2021-2022 but a decline to 14.63% in 2023-2024. ROA remained stable at around 11.78%, indicating consistent asset utilization. Overall, the company's profitability and efficiency have improved, but maintaining cost control and optimizing capital use is key to sustaining growth.

SOLVENCY RATIO

Table No 8.3 Solvency Ratio of G.M. Industries

YEAR	DEBT TO EQUITY RATIO	INTEREST COVERAGE RATIO	PROPREITARY RATIO
2019-2020	0.24	3.46	0.53
2020-2021	1.04	2.83	0.48
2021-2022	0.92	2.39	0.51
2022-2023	0.18	2.34	0.58
2023-2024	0.57	2.08	0.63

Interpretation:

The company's Debt to Equity Ratio fluctuated, peaking at 1.04 in 2020–2021, indicating increased reliance on external funding during that period, but generally remained at manageable levels. The Interest Coverage Ratio showed a downward trend from 3.46 to 2.08, suggesting a reduced capacity to cover interest expenses over time. The Proprietary Ratio steadily improved, reaching 0.63 in 2023–2024, reflecting strengthened shareholder equity in the capital structure. Overall, the firm maintained financial stability but should monitor its interest obligations and borrowing levels to avoid future strain

IX. FINDINGS

Liquidity Ratios:
The highest Current Ratio was 2.20 in 2022-23, showing strong liquidity.
The Absolute Liquid Ratio peaked at 0.13 in 2020-21 but declined below 0.06 in later years.
Profitability Ratios:
Gross Profit Ratio reached 75.88% in 2023-24, indicating improved cost efficiency.
Operating Ratio was highest at 88.63% in 2019-20, reflecting high operating expenses.
Solvency Ratios:
Debt to Equity Ratio was highest at 1.04 in 2020-21, indicating increased financial risk.
Proprietary Ratio peaked at 0.63 in 2023-24, showing financial stability.

X. SUGGESTIONS

- G.M. Industries has a strong proprietary ratio and improved receivables management. However, it needs to improve asset turnover and fixed assets utilization by boosting sales.
- Net profit and interest coverage ratios show a decline, requiring better cost control and operational efficiency.
- Fluctuations in working capital turnover should be stabilized to maintain smooth operations.
- To enhance profitability and financial stability, the company should focus on reducing costs, adopting new technologies, and improving capital efficiency while maintaining an optimal debt-to-equity ratio.
- Strengthening credit policies and optimizing asset use will further boost growth and long-term stability.

XI. CONCLUSION

G.M. Industries has maintained a strong liquidity and solvency position, ensuring the ability to meet both short-term and long-term obligations. Working capital management is consistent, but improving receivables collection and inventory turnover can further enhance efficiency. Profitability remains stable, but reducing operating costs and exploring new revenue streams can drive higher margins. To stay competitive, the company should focus on technology adoption, product diversification, and process efficiency. With increasing demand for pumps and motors, G.M. Industries is well-positioned to capitalize on future opportunities and achieve sustained growth.

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