

An Analysis of Financial Statements With Reference To Industrials Heaters

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Abstract- The study aimed to conduct a comprehensive analysis of the financial performance and health of INDUSTRIALS HEATERS company over a five-year period from 2018-2019 to 2022-2023. The analysis was based on the company's financial statements, and various financial ratios were calculated and interpreted to assess liquidity, leverage, profitability, asset utilization, and overall financial stability. The objective of the study is to provide comprehensive financial statement analysis. The study will provide management with insights into its company's financial health and performance. Through techniques like ratio, this study aims to offer valuable information for strategic planning, risk management, and value creation. The findings revealed fluctuating performance trends, with periods of growth and decline in the company's financial health and profitability. Overall, the study underscored the importance of proactive management and strategic decision-making in navigating business complexities. By addressing the identified challenges and capitalizing on opportunities, the company can mitigate risks, enhance profitability, and position itself for long-term success in the competitive market.

I. INTRODUCTION

Finance is primary and significant for the organization. Financial statement analysis is the process of evaluating and interpreting a company's financial statements to gain insights into its financial performance, profitability, liquidity, and overall health of the organization. Financial statement analysis is an essential tool for investors, creditors, analysts, and other stakeholders to make informed decisions about the company's financial condition and prospects. By analysing financial statements, the stakeholders can assess a company's ability to generate profits, manage its debts, and assess its potential for growth and sustainability. Industrials Heaters, founded in 1984, operates as a registered small-scale industry serving a diverse range of sectors including engineering, chemicals, electrical, textiles, beverage, food processing, and glass industries. Additionally, the company fulfills the requirements of key sectors such as Atomic Power Plants, railways, and steel industries. Industrials Heaters

specializes in manufacturing a variety of heaters including Air Heaters, Cartridge Heaters, Cast Heaters, Immersion Heaters, Infrared Heaters, Tank Heaters, String Heaters, and Mineral Insulated Heaters. Additionally, the company supplies temperature controllers, automatic temperature control panels, and temperature sensors to meet diverse Industrials heating requirements. Industrials Heaters operates as a partnership company with Mr. C.J Vijay Balaji serving as the managing partner, alongside Mr. C.J. Ramesh and other partners who closely collaborate with customers to design heaters in compliance with evolving industry trends and manufacturers' demands. In addition to manufacturing Industrials heaters, Industrials Heaters maintains a well-organized sales showroom to efficiently address emergency requirements and provide timely solutions to customers. Financial statement analysis is a vital tool for assessing the financial health, performance, and prospects of a company. It enables stakeholders to make informed decisions regarding investment, lending, and strategic planning by providing insights into profitability, efficiency, liquidity, and solvency. By employing various methods and techniques such as ratio analysis, trend analysis, and comparative analysis, financial statement analysis facilitates comprehensive evaluation and decision-making in corporate finance and investment management.

II. INTRODUCTION

- To conduct a comprehensive analysis of financial statements in Industrials Heaters private limited
- To identify and analyze key financial ratios to assess the company's financial health and operational efficiency

III. SCOPE OF THE STUDY

The scope of the study is to provide management with insights into its company's financial health and performance. Through techniques like ratio analysis and comparative analysis, this study aims to offer valuable

information for strategic planning, risk management, and value creation.

NEED FOR THE STUDY

Analyzing Industrials Heaters Private Limited's financial statements is crucial for understanding how well the company is doing financially. It helps to know the way management manages the risks, make smart investment decisions, and plan for the future. It also helps to know whether the company is transparent and follows the rules. By looking closely at the numbers, stakeholders can see if the company is making money efficiently and if it's financially healthy overall. This information is important for figuring out the way company can grow and stay successful in a tough Industrials market.

LIMITATIONS OF THE STUDY

- Basically the study is mainly carried out based on the secondary data provided in the financial statements.
- There may be some of fractional differences in the calculated ratios.

IV. REVIEW OF LITERATURE

Kumari, B, (2024), "Exploring the Impacts of Industry 4.0 on Financial Statements and Financial Ratios" in Journal of Emerging Technologies and Innovative Research, delves into the influence of Industry 4.0 on financial reporting and analysis. Industry 4.0, characterized by the integration of Industrials Internet of Things, real-time data collection, predictive analytics, artificial intelligence, and cloud manufacturing, is revolutionizing production processes and business operations. This transformation is expected to streamline data collection, reduce errors, and lower costs through the adoption of self-learning robots and automation. The evolving role of business accounting is increasingly embracing innovations such as the Internet of Things and Robotic Process Automation. Consequently, traditional financial statements are undergoing changes due to the use of virtual currencies, just-in-time production, and the growing prominence of automation in manufacturing. This study aims to explore how these advancements in Industry 4.0 impact financial statements and financial ratios, highlighting the evolving landscape of financial analysis in the digital era

Ponnumani, (2023), in the Journal of Emerging Technologies and Innovative Research examines the Financial Statement Analysis of SAIL (Steel Authority of India

Limited). The study emphasizes the significance of analyzing financial statements, including income statements and balance sheets, to comprehend the company's past, present, and anticipated future performance. This analysis aids in making informed financial decisions. The paper offers insights and guidelines on analyzing various accounting ratios of SAIL, facilitating a deeper understanding of the company's financial health and performance.

Vijay, K., & Sudarsan, K, (2022), "Financial Performance of National Insurance Company Limited" investigates the overall financial position of National Insurance Company Limited from 2011-12 to 2020-21 through ratio analysis. The insurance sector in India has undergone various phases of competition, from open competitive markets to nationalization and back to a liberalized market. The study reveals that the financial position of the company fluctuated throughout the study period. It suggests that diversifying investments across different stocks may yield higher returns compared to investing solely in fixed assets. The entry of private sector insurance companies has introduced significant changes in the industry, emphasizing the need for the introduction of new policies to increase revenue across different sectors. Through ratio analysis, this study provides insights into the financial performance of National Insurance Company Limited, offering recommendations for strategic improvement in the dynamic insurance sector landscape.

Shalini .D & S. Vijayalakshmi,(2021), "Analysis of Financial Performance of Stationery Products Industries".provides insights into financial performance analysis, which serves as a vital communication tool for assessing the overall financial health of businesses. Focusing on Kokuyo Camlin Ltd., the study underscores the significance of profitability and liquidity in ensuring sustainable growth. Using ratio analysis as a key tool, the research evaluates the ongoing financial performance of the company over a five-year period from 2015-2016 to 2019-2020. By examining financial statements and determining key ratios, the study aims to assess the firm's ability to generate profits and meet its capital requirements while fostering growth

Sethulekshmi, J. R, (2019), "A Study on the Impact of Financial Performance with Reference to Cashew Industry, Kollam", investigates the declining trends in the cashew industry in Kerala, particularly in Kollam District, historically known as the "cashew city of the world." Despite being a leading producer in India during the 1990s, Kerala's share has significantly decreased to 10.97% in recent years, marking a profound shift in the industry landscape. The literature survey reveals a drain of workers from the cashew industry to more

promising sectors, exacerbating the industry's challenges. Against this backdrop, the study assesses the financial performance of the cashew industry in Kollam District by gathering perceptions from finance managers of 24 selected companies. Key factors considered include profitability, liquidity, turnover, and solvency, offering valuable insights into the financial health and sustainability of the cashew industry.

V. RESEARCH METHODOLOGY

In the project titled "Analysis of Financial Statements," an analytical research design will be implemented to systematically evaluate financial data with the aim of understanding the financial performance and trends of the company. This will involve setting clear objectives, collecting relevant financial information, identifying key variables, formulating hypotheses, selecting appropriate analytical methods, analyzing the data, interpreting the findings, and providing actionable recommendations based on the results. By employing this structured approach, the analysis will yield valuable insights that can inform decision-making by stakeholders such as management, investors, and creditors.

VI. DATA COLLECTION

1. PRIMARY DATA

The research has been collected data with the help of primary way. It includes personal discussion with staff member off concern. Also Researcher has been collected the data with the help of investigation and questionnaires'

2. SECONDARY DATA

The secondary data are collected from information which is used by other. It is not direct information. This information already collected and analysis by other and that information used by others. This secondary data are collected from following.

- 1) Companies income statement
- 2) Internet Website

REFERENCE PERIOD

The reference period of the study is 5 years from 2018-2019 to 2022-2023.

INDUSTRY PROFILE

In recent decades, the emphasis has shifted towards energy efficiency and sustainability in heating technology. Modern electric radiators and heating elements now integrate digital features for enhanced control and efficiency, reflecting a broader societal focus on environmental responsibility and technological advancement.

Heating elements serve a broad spectrum of purposes across diverse appliances and Industrial environments, where precise and effective heat generation is indispensable. Within household devices like electric heaters and hair dryers, they function to emit warmth, offering comfort during chilly climates or aiding in hairstyling endeavors. Soldering irons harness heating elements to liquefy solder, facilitating the fusion of electronic components. Showers and water heaters utilize these elements to raise water temperatures for bathing and domestic usage. In stoves, they provide a steady heat source for cooking surfaces or ovens, enabling the preparation of meals. Additionally, toasters employ heating elements to swiftly toast and crisp bread slices, while clothes dryers rely on them to efficiently dry damp laundry.

In Industrial and commercial domains, heating elements are indispensable across various applications. For instance, in diffusion pumps, they aid in vacuum creation by heating a vaporizable substance, expelling gas molecules from the chamber. Kilns and furnaces rely on these elements to attain high temperatures for activities like pottery firing or metal smelting. Additionally, stainless steel liquid immersion heaters find extensive use in Industrial processes requiring liquid heating, such as water or chemical treatment. Encased within a sheath, these immersion heaters can be directly submerged in the liquid, facilitating efficient heat transfer.

Indeed, heating elements serve as foundational components in diverse appliances and Industrial operations, offering dependable heat generation, meticulous temperature regulation, and improved efficiency across a broad spectrum of routine and specialized tasks.

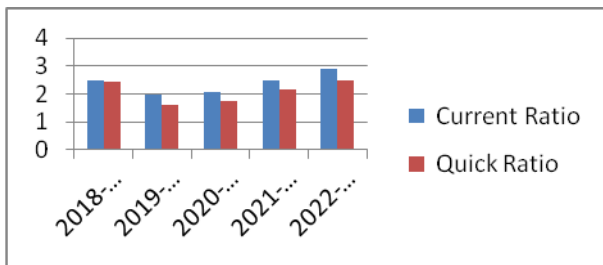
VII. ANALYSIS AND INTERPRETATION

Liquidity Ratios :

Ratio	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Current Ratio	2.47	1.98	2.05	2.50	2.90
Quick Ratio	2.45	1.61	1.74	2.18	2.48

Interpretation :

Over the five-year period from 2018-2019 to 2022-2023, the company's liquidity, as measured by both the current ratio and quick ratio, showed fluctuating yet overall positive trends. While the current ratio experienced minor fluctuations, indicating the company's ability to meet short-term obligations, the quick ratio exhibited more significant variability, reflecting the company's capacity to cover immediate liabilities with its most liquid assets. Despite some dips along the way, both ratios generally trended upwards by the end of the period, suggesting improved liquidity and potentially enhanced financial stability for the company.



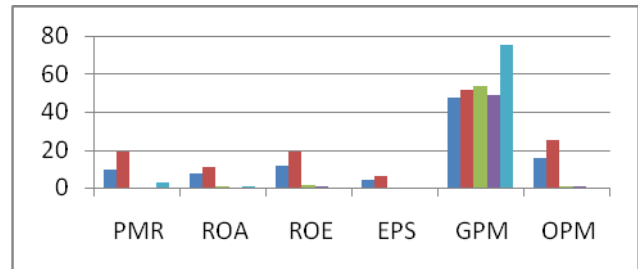
Profitability Ratios :

Ratio	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Profit Margin Ratio	9.21	18.7	0.25	0.06	2.88
Return on Assets	7.16	11.08	0.7	0.36	0.44
Return on Equity	11.2	19	1.38	0.65	0.07
Earnings per Share	4.38	6.29	0.46	0.22	0.03
Gross Profit Margin	47.32	51.45	53.68	48.76	75.53
Op Profit Margin	15.88	25.01	0.74	0.72	0.02

Interpretation :

The company's profitability, as reflected by various ratios, has shown fluctuating trends over the period from 2018-2019 to 2022-2023. While there were notable peaks in profitability in 2019-2020, subsequent years witnessed sharp declines, indicating challenges in maintaining consistent profit generation. Despite modest recoveries in some ratios by 2022-2023, overall profitability metrics suggest a need for sustained

efforts to enhance profitability and efficiency in converting revenue into profit. Additionally, the significant variation in the gross profit margin in 2022-2023 warrants further investigation into potential factors driving this sudden increase.

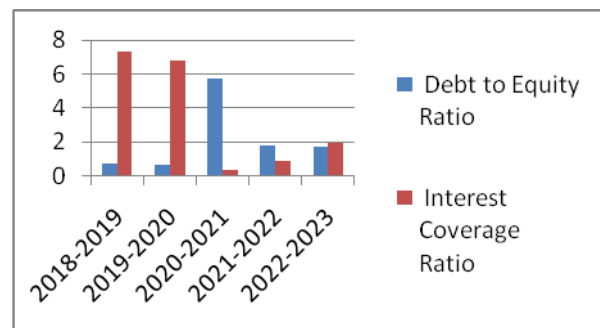


Solvency Ratios :

Ratio	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Debt to Equity Ratio	0.78	0.69	5.73	1.81	1.76
Interest Coverage Ratio	7.32	6.78	0.36	0.87	1.99

Interpretation :

The interest coverage ratio fluctuated over the period from 2018-2019 to 2022-2023, indicating varying ability to meet interest obligations. While there were notable declines in 2020-2021, subsequent years showed improvements, reflecting changes in the company's financial health and debt management. Similarly, the debt to equity ratio exhibited fluctuations, with peaks in 2020-2021 indicating higher debt levels followed by decreases in subsequent years, suggesting shifts in the company's capital structure and reliance on debt financing.

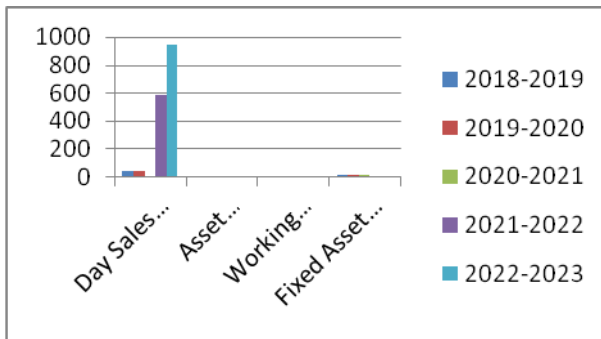


Efficiency Ratios :

Ratio	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Day Sales Outstanding	42.79	47.99	4.08	587.23	942.39
Asset Turnover Ratio	5.17	3.3	1.99	1.87	0.96
Working Capital Turnover Ratio	1.54	1.46	0.72	0.64	0.28
Fixed Asset Turnover Ratio	20.16	18.97	19.96	5.5	2.87

Interpretation :

The day sales outstanding (DSO) ratio reflects fluctuations in receivables collection efficiency over the years, with a notable increase by 2022-2023, possibly indicating challenges in managing working capital or sales decline. Additionally, the declining trend in the asset turnover ratio suggests reduced efficiency in generating revenue from assets, coupled with decreasing fixed asset turnover, pointing to potential challenges in optimizing asset utilization for revenue generation.

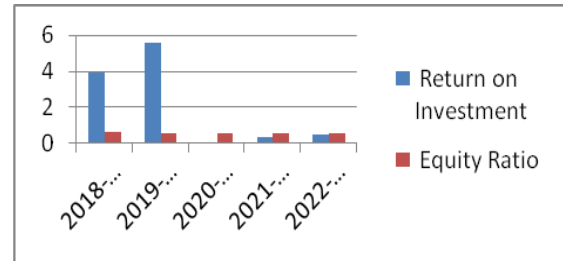


Investment And Financial Stability Ratios

Ratio	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
ROI	3.91	5.6	0.04	0.3	0.49
Equity Ratio	0.64	0.58	0.56	0.55	0.57

Interpretation :

The return on investment (ROI) shows a decreasing trend over the period from 2018-2019 to 2022-2023, indicating limited profitability relative to the total investment, with minimal returns observed in 2020-2021. Concurrently, the equity ratio demonstrates a consistent decline from 2018-2019 to 2021-2022, suggesting a diminishing proportion of shareholders' funds relative to total assets. However, there is a slight uptick in 2022-2023.



VIII. FINDINGS

The Current Ratio reached its highest value of 2.90 in 2022-2023, indicating the highest ability to cover short-term liabilities with current assets.

The Quick Ratio peaked at 2.48 in 2022-2023, indicating the highest ability to cover short-term liabilities with the most liquid assets excluding inventories.

The Asset Turnover Ratio was highest at 5.17 in 2018-2019, indicating the highest efficiency in utilizing assets to generate revenue.

The interest coverage ratio fluctuates over the years, starting at 7.32 in 2018-2019 and decreasing to 0.36 in 2020-2021, indicating potential challenges in meeting interest expenses. However, there is a slight improvement to 0.87 in 2021-2022 and a further increase to 1.99 in 2022-2023.

The working capital turnover ratio showed a declining trend, starting at 1.54 in 2018-2019 and steadily decreasing to 0.28 in 2022-2023, indicating a significant decrease of over the years.

The Return on Investment (ROI) saw a decline from 2018-2019 to 2022-2023, with a significant drop to 0.04% in 2020-2021, indicating minimal returns relative to investment costs.

The equity ratio shows a consistent trend of shareholder funds relative to total assets, starting at 0.64 in 2018-2019 and gradually declining to 0.55 in 2021-2022 before a slight increase to 0.57 in 2022-2023.

The Return on Assets (ROA) peaked at 11.08% in 2019-2020, indicating the highest efficiency in generating profits from the company's assets during that period.

Return on Equity (ROE) reached its highest value of 19% in 2019-2020, highlighting the company's most profitable year relative to shareholders' equity.

Earnings per share (EPS) soared to 6.29 in 2019-2020, representing the highest profitability per outstanding share during the analyzed period.

The Debt to Equity ratio spiked significantly to 5.73 in 2020-2021, indicating the highest proportion of debt financing relative to equity financing during the period.

The Day Sales Outstanding (DSO) skyrocketed to 942.39 days in 2022-2023, representing the longest delays in receiving payments over the analyzed years.

The Gross Profit Margin peaked at 53.68% in 2020-2021, reflecting the highest percentage of revenue retained after deducting the cost of goods sold.

The Operating Profit Margin reached its highest value of 25.01% in 2019-2020, indicating the highest portion of revenue retained after operating expenses during the period.

The Net Profit Margin surged to 18.70% in 2019-2020, representing the highest proportion of profit generated from total revenue.

The Interest Coverage Ratio stood at 7.32 in 2018-2019, showcasing the highest ability to meet interest obligations from operating profit during the period.

The Fixed Asset Turnover Ratio was highest at 20.16 in 2018-2019, indicating the most efficient utilization of fixed assets to generate revenue.

IX. SUGGESTIONS

- Conduct a thorough analysis of internal processes to identify inefficiencies and optimize operations for cost savings and productivity improvements.
- Implement cost-saving measures such as negotiating better pricing with suppliers and adopting energy-efficient practices to reduce overheads and enhance profitability.
- Explore opportunities to diversify product offerings or expand into new markets to mitigate risks associated with reliance on a single market segment.

- Stay agile and responsive to changing market conditions by monitoring trends and adjusting strategies to capitalize on emerging opportunities and mitigate risks.
- Develop robust financial planning frameworks and risk management strategies to ensure financial stability, including maintaining adequate cash reserves and managing debt levels effectively.

X. CONCLUSION

In conclusion, the journey of Industrials Heaters Private Limited over the analyzed years has been one of resilience, adaptability, and continuous growth. Despite facing challenges such as fluctuating profitability, declining asset efficiency, and varying liquidity, the company has demonstrated a steadfast commitment to overcoming obstacles and evolving in response to changing market dynamics. By embracing innovation, optimizing operational processes, and maintaining a balanced approach to financial management, Industrials Heaters Private Limited can position itself for sustained success and prosperity in the years ahead.

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