

A Study On The Impact Of Short-Term Financial Management On The Liquidity Position Of Jayon Implants, Kanjikode

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Abstract- *This study delves into the impact of short-term financial management on the liquidity position of Jayon Implants, a prominent player in the medical implants industry based in Kanjikode, Kerala. Through a comprehensive analysis utilizing ratio analysis techniques and examination of historical financial data, the study aims to provide actionable insights for decision-makers. Key findings reveal that Jayon Implants has effectively managed its short-term financial resources, maintaining a balance between liquidity and profitability. The company's strong financial position and positive trend in short-term financial performance underscore efficient management practices. Continuous monitoring and management of short-term funds are recommended to sustain financial health and support future growth. This study offers valuable insights for stakeholders in the medical implants industry, emphasizing the importance of sound financial management practices for long-term sustainability and growth.*

I. INTRODUCTION

Jayon Implants, nestled in Kanjikode, has carved a niche for itself in the medical implants domain, propelled by its steadfast commitment to quality, innovation, and customer satisfaction. Leveraging the skilled workforce and strategic location in Kanjikode, the company has achieved commendable success. Nevertheless, Jayon Implants, akin to any publicly traded enterprise, is subject to the flow of market forces and economic conditions that can sway its performance. Jayon Implants is a leading player in the medical implants industry, recognized for its innovative products and strategic financial management practices. This study aims to conduct a comprehensive analysis of Jayon Implants to evaluate the influence of short-term financial management on its liquidity position.

This study will primarily focus on utilizing ratio analysis techniques to assess Jayon Implants' liquidity position. Ratios, including current ratio, quick ratio, cash ratio, and working capital turnover ratio, among others, will be analysed. Additionally, techniques such as changes in working

capital and comparative common size analysis will be employed to provide a detailed understanding of the company's liquidity dynamics. By examining historical financial data and key liquidity ratios, this study seeks to identify trends and patterns that highlight the impact of short-term financial management decisions on Jayon Implants' liquidity position. The analysis will delve into how the company's management of short-term assets and liabilities affects its ability to meet its short-term obligations and maintain adequate liquidity levels.

INDUSTRY PROFILE

The medical equipment and device manufacturing industry, also known as the Med-Tech industry or medical devices industry, encompasses a wide range of products designed to diagnose, monitor, and treat various diseases and conditions affecting humans. From simple tools like tongue depressors to complex systems such as magnetic resonance imaging machines, the industry covers a diverse array of products. Examples include pacemakers, stethoscopes, replacement joints, hip implants, surgical robots, synthetic skin, artificial hearts, scalpels, diagnostic instruments, patient management software, and components used in medical devices.

The industry is a significant contributor to the healthcare sector, providing essential tools and technologies for medical professionals. With a focus on innovation and quality, companies in this sector play a crucial role in advancing healthcare delivery and improving patient outcomes. In India, recent policy initiatives such as the Drugs, Medical Devices and Cosmetics Bill 2022 and collaborations between research institutions and technology centers underscore the industry's commitment to ensuring the reliability and efficiency of medical products. This industry presents opportunities for growth, export potential, and partnerships that drive innovation and development in the medical devices space.

The medical equipment and device manufacturing industry is characterized by rapid technological advancements and a growing demand for innovative solutions to address healthcare challenges. With an aging population, increasing healthcare expenditure, and advancements in medical technology, the industry is poised for significant growth. Companies in this sector are continuously striving to develop cutting-edge products that enhance patient care, improve treatment outcomes, and streamline medical procedures. Collaborations with research institutions, engineering colleges, and healthcare organizations play a vital role in driving innovation and expanding market reach. As the industry evolves, there is a focus on meeting regulatory standards, ensuring product quality, and fostering partnerships that drive the development of next-generation medical devices and technologies.

COMPANY PROFILE

JAYON Implants Private Limited is a non-govt. company, established on 1999 located in Kanjikode Palakkad district in Kerala. JAYON Implants Private Limited, as an organization has established a modern facility for manufacture spinal and orthopedic implants (Medical Devices). The unit is managed by experienced technical staff for production and quality control along with a team of expert technicians. The corporate is engaged in the business of manufacturing surgical implants and instruments. It is well-positioned to become a leader in the rapidly evolving medical implant field. They are committed and dedicated to a continuous research and development process, to build and maintain a robust product pipeline.

Over the years, the company has established in the medical industry under the brand name of "JAYON". and are very seriously involved in the production line, research and development of the medical implants. Since the implementation of medical technologies in our country, large number of hi- tech hospitals and medical colleges a coming up, usually there is a huge demand for implants productions and it has the scarcity also. Even through many companies are involved in the manufacturing of orthopaedic implants, a few of them are manufacturing the same as per the CDSCO specification and only a few of them have obtained Drug License the concerned. The company carries out its major operations from Kerala.

Starting with a workforce consisting of 10 employees at the time of inception, Jayon Implants has now grown to more than 300 employees. The company has branches in Kerala and other states of India. The company received the Drug license in the year 2011 & continuing from CDSCO

subsequently having ISO 13485:2003 which has been upgraded to current ISO 13485:2016 standard from 2018 onwards from DNV: GL & GMP Certification from Drug department of Kerala state. They have also attained CE Mark From DNV-GL PRESAFE AS for the Spinal Implants Category. The company has currently signed an MOU with Vellore Institute of Technology for joint research & New Technology development. They have also signed an MOU with IIT Palakkad.

II. REVIEW OF LITERATURE

Madushanka, K.H. and Jathurika, M., 2018. The impact of liquidity ratios on profitability. International Research Journal of Advanced Engineering and Science, 3(4), pp.157-161:The study focuses on examining the relationship between liquidity ratios, such as the current ratio and quick ratio, and the profitability of firms across different industries. By analyzing how liquidity management practices influence profitability, the research aims to provide insights into the financial performance of businesses and the importance of maintaining a balance between liquidity and profitability.

Agha, H., 2014. Impact of working capital management on profitability. European Scientific Journal, 10(1): The study investigates how working capital management practices impact the profitability of firms. By analyzing various components of working capital, the research aims to elucidate the efficiency of working capital management and its direct influence on the overall profitability of businesses. This research sheds light on the critical role of working capital in driving financial performance.

Saleem, Q. and Rehman, R.U., 2011. Impacts of liquidity ratios on profitability. Interdisciplinary Journal of Research in Business, 1(7), pp.95-98:The research examines the effects of liquidity ratios, such as the current ratio and quick ratio, on the profitability of businesses. By evaluating these liquidity measures, the study seeks to uncover how they influence financial performance and profitability. The findings aim to highlight the significance of liquidity management in enhancing overall profitability and operational efficiency.

Hill, N.C. and Sartoris, W.L., 1988. Short-term financial management. Macmillan: This book provides a comprehensive discussion on short-term financial management strategies. Covering topics such as cash flow management, working capital policies, and liquidity management, the publication offers insights into effective financial practices tailored to meet short-term operational

needs. This resource serves as a valuable guide for understanding the importance of sound financial management in addressing short-term financial challenges and optimizing operational efficiency.

III. OBJECTIVE

PRIMARY OBJECTIVE: -

To study the impact of short-term financial management on the liquidity of Jayon Implants.

SECONDARY OBJECTIVES: -

- To study the different sources and applications of short-term fund in the organization.
- To understand the short-term financial performance of the company.
- To analyze the impact of short-term fund management in the profitability and liquidity of the company.

IV. RESEARCH METHODOLOGY

4.1 RESEARCH DESIGN

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It constitutes the blueprint for the collection, measurement, and analysis of data. The design adopted in the study is descriptive research design which is historical & quantitative in nature.

4.2 METHODOLOGY OF THE STUDY

Research methodology describes about the research objectives, design and methodology adopted to conduct the study. The data collected can be either primary or secondary. The above information is carried on with the cooperation of management of JAYON IMPLANTS LTD.

4.3 DATA COLLECTION

The data collection for the study is mainly from the secondary sources. Like

- Online reports
- Books
- Journal
- Web sites

Data has been obtained from published reports like the annual reports of the company, balance sheets, and profit and loss account, booklets, records such as files, reports maintained by the company. Mainly the annual report consists of two parts;

- Profit and Loss Account
- Balance Sheet

Profit and loss account reveals the income and expenditure of the company. Balance Sheet reveals the financial position of the organization. Those two statements are prepared by the highly qualified and experts with the help of available information or data.

4.4 TOOLS USED FOR STUDY

The statistical tool used for this study are :

- Ratio Analysis
 - Current ratio
 - Quick ratio
 - Debt to Equity ratio
 - Asset to equity ratio
 - Gross profit ratio
 - Net profit ratio
 - Proprietary ratio
 - Working capital turnover ratio
 - Fixed asset turnover ratio
 - Return on equity ratio
- Statement of change in working capital
- Comparative balance sheet statement
- Common size statement

V. DATA ANALYSIS

RATIO ANALYSIS

Ratio analysis is a powerful tool that allows us to dissect a company's financial statements and gain valuable insights into its performance, health, and overall financial well-being.

RATIO	2018	2019	2020	2021	2022
Current ratio	1.51	1.58	1.49	1.61	1.71
Quick ratio	0.82	0.98	0.71	0.88	0.90
Debt to Equity ratio	1.07	1.37	1.21	0.99	0.91

Asset to equity ratio	2.07	2.37	2.22	1.99	1.91
Gross profit ratio	64.85%	63.40%	61.68%	64.76%	64.29%
Net profit ratio	10.07%	10.35%	11.01%	9.74%	13.94%
Proprietary ratio	48.28%	42.18%	45.10%	50.22%	52.24%
Return on equity ratio	29.43%	31.90%	30.04%	16.37%	25.57%
Working capital turnover ratio	6.38	4.59	5.05	3.01	2.97
Fixed asset turnover ratio	4.97	6.02	4.95	3.43	4.77

INTERPRETATION OF RATIO ANALYSIS

The Current Ratio has shown a consistent improvement from 2018 (1.51) to 2022 (1.71), indicating a strengthening liquidity position over the years. The Quick Ratio has also exhibited a positive trend, increasing from 0.82 in 2018 to 0.90 in 2022, reflecting an enhancement in the company's ability to meet short-term obligations using its most liquid assets. The Debt-to-Equity Ratio has decreased gradually from 2018 (1.07) to 2022 (0.91), suggesting a reduction in the company's reliance on debt financing over the years. The Working Capital Turnover Ratio has declined from 6.38 in 2018 to 2.97 in 2022, indicating a decrease in the efficiency of utilizing working capital to generate revenue. The Gross Profit Ratio has remained relatively stable over the years, ranging from 61.68% in 2020 to 64.85% in 2018, indicating consistent profitability. The Net Profit Ratio has shown variability but has increased significantly from 9.74% in 2021 to 13.94% in 2022, reflecting improved net profitability. The Return on Equity Ratio has fluctuated, with a notable decrease in 2021 followed by an increase in 2022, indicating varying efficiency in generating profits from equity. The Asset to Equity Ratio has decreased gradually from 2.07 in 2018 to 1.91 in 2022, suggesting changes in the company's asset and equity structure over the years.

5.1 STATEMENT OF CHANGE IN WORKING CAPITAL

The Statement of Changes in Working Capital is a financial statement that shows the net change in working capital over a specific period of operation. It measures the increase or decrease in the individual items of current assets and current liabilities. It also shows the net increase or decrease in the working capital during the accounting period.

YEAR	CURRENT ASSETS (in Lakhs)	CURRENT LIABILITIES (in Lakhs)	Working Capital	STATEMENT OF NET CHANGE IN WORKING CAPITAL
2018	1264	838	426	-
2019	2461	1557	904	478 (2018-2019)
2020	3118	2091	1027	123 (2019-2020)
2021	3345	2075	1270	243 (2020-2021)
2022	4559	2674	1885	615 (2021-2022)

INTERPRETATION OF STATEMENT OF CHANGE IN WORKING CAPITAL

The net increase in working capital was Rs. 478 lakhs during the period from 2018 to 2019, indicating a positive change in the company's ability to cover short-term obligations and invest in growth opportunities. In the following years, the net increase in working capital was Rs. 123 lakhs from 2019 to 2020, Rs. 243 lakhs from 2020 to 2021, and Rs. 615 lakhs from 2021 to 2022, showing a consistent improvement in the company's working capital management.

5.2 COMMON SIZE STATEMENT

Common size statement is a form of analysis and interpretation of the financial statement. It is also known as vertical analysis. This method analyses financial statements by

taking into consideration each of the line items as a percentage of the base amount for that accounting period.

PARTICULARS	2018	2019	2020	2021	2022
Total Equity & Liabilities	100%	100%	100%	100%	100%
Shareholders Fund	48.28%	42.18%	45.09%	50.22%	52.24%
Non-Current Liabilities	8.24%	8.37%	5.29%	3.91%	2.03%
Current Liabilities	43.48%	49.45%	49.62%	45.87%	45.73%
Total Assets	100%	100%	100%	100%	100%
Non-Current Asset	34.40%	22.75%	25.96%	26.03%	22.01%
Current Assets	65.60%	77.25%	74.04%	73.97%	77.99%

INTERPRETATION OF COMMON SIZE STATEMENT

The percentage of Share Capital to Total Equity and Liabilities remained relatively stable over the years, ranging from 19.45% in 2018 to 6.41% in 2022. Reserves and Surplus showed an increasing trend, with percentages changing from 28.83% in 2018 to 45.83% in 2022, indicating a growth in retained earnings and accumulated profits. Long Term Borrowings as a percentage of Total Equity and Liabilities fluctuated, with a decrease from 6.74% in 2018 to 2.42% in 2022. Deferred Tax Liabilities remained relatively stable, ranging from 1.50% in 2018 to 1.22% in 2019. Tangible Assets as a percentage of Total Assets showed fluctuations, with an increase from 28.22% in 2018 to 43.89% in 2022. Intangible Assets and Other Non-Current Assets exhibited varying percentages over the years, indicating changes in the composition of non-current assets. Inventories and Trade Receivables as a percentage of Total Assets increased steadily, reflecting a higher proportion of current assets in the company's asset structure. Cash and Cash Equivalents showed fluctuations, with a notable increase from 1.97% in 2018 to 12.56% in 2022, suggesting changes in the company's cash management.

5.3 COMPARATIVE STATEMENT

A comparative statement is a document used to compare a particular financial statement with prior period statements. Previous financials are presented alongside the latest figures in side-by-side columns, enabling investors to identify trends, track a company's progress and compare it with industry rivals.

	2018-2019	2019-2020	2020-2021	2021-2022
Absolute Change	1260	1027	309	1322
Percentage Change	65.35%	32.21%	7.33%	29.22%

INTERPRETATION OF COMPARATIVE STATEMENT

Share Capital remained constant at 375 lakhs from 2018 to 2022. Reserves and Surplus increased from 556 lakhs in 2018 to 2679 lakhs in 2022. Long Term Borrowings fluctuated, with a decrease from 130 lakhs in 2018 to 51 lakhs in 2022. Deferred Tax Liabilities showed variations, ranging from 29 lakhs in 2018 to 68 lakhs in 2022. Tangible Assets fluctuated, with an increase from 602 lakhs in 2018 to 1167 lakhs in 2022. Intangible Assets remained stable, with 9 lakhs in 2018 and 6 lakhs in 2022. Inventories increased from 408 lakhs in 2018 to 807 lakhs in 2022. Trade Receivables showed a steady growth, ranging from 1246 lakhs in 2018 to 1680 lakhs in 2022.

VI. FINDINGS

Over the period from 2018 to 2022, the company demonstrated significant improvements across various financial dimensions. In terms of liquidity, both the Current and Quick Ratios exhibited steady enhancement, indicating a robust capacity to fulfill short-term obligations. Concurrently, a gradual decline in the Debt-to-Equity Ratio underscored reduced dependence on debt financing, contributing to enhanced financial stability. Despite fluctuations, there were overall improvements in asset utilization, as reflected in the Fixed Asset Turnover Ratio. Profitability metrics remained relatively stable, with a notable increase in Net Profit Ratio in 2022, indicating improved profitability. Working capital management exhibited positive trends, with a consistent net increase showcasing the company's improved capability to cover short-term obligations and invest in growth opportunities. Changes in asset and liability structures revealed evolving financial strategies, highlighting stability in Share Capital, growth in Reserves and Surplus, and fluctuations in Long Term Borrowings. The analysis underscores the company's concerted efforts to bolster

liquidity, reduce debt reliance, optimize asset utilization, and sustain profitability for long-term growth and financial resilience.

VII. SUGGESTIONS

To sustain and enhance its financial performance, the company should prioritize several key strategies. Firstly, optimizing working capital management practices is crucial to sustain the positive trend in working capital growth observed over the years. This entails efficiently utilizing current assets and managing current liabilities to strengthen liquidity. Secondly, the company should continue reducing reliance on debt financing, striking a balance between debt and equity to ensure sustainable financial health and minimize associated risks. Additionally, addressing the decline in the Working Capital Turnover Ratio by enhancing operational efficiency and revenue generation from working capital is imperative. To sustain profitability levels, the company should implement cost reduction initiatives, revenue growth strategies, and operational efficiency enhancements. Lastly, maximizing the utilization of fixed assets to improve the efficiency of generating sales and profits is essential. Evaluating and improving asset management practices will ensure optimal asset utilization in alignment with financial objectives, fostering long-term growth and resilience.

VIII. CONCLUSION

Based on the study conducted to understand the impact of short-term financial management on the liquidity of Jayon Implants, it is evident that the company has effectively managed its short-term financial resources. The study revealed that Jayon Implants has successfully utilized various sources of short-term funds to maintain a satisfactory level of liquidity while also investing in growth opportunities. Additionally, the company's short-term financial performance has shown a positive trend, indicating efficient management of short-term funds and a balance between liquidity and profitability. This is further supported by the increasing profitability and liquidity of the company over the analyzed period. In conclusion, Jayon Implants has demonstrated sound management of its working capital and short-term funds, reflecting a strong financial position. However, continuous monitoring and management of short-term funds are essential to sustain this financial health and support future growth, as outlined in the study.

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