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A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF KARNATAKA SOAPS AND DETERGENTS LIMITED

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Abstract: This study aims to conduct a comprehensive analysis of the financial performance of Karnataka Soaps and Detergents Limited, a company located in Karnataka, India. The study will delve into the company's financial statements, ratios, and key performance indicators over a specific period. By examining aspects such as liquidity, profitability, solvency, and turnover, the study seeks to provide insights into the company's financial health and performance trends. The findings of this analysis will contribute to a better understanding of the company's strengths, weaknesses, opportunities, and threats, aiding stakeholders in making informed decisions and strategies for the company's future growth and sustainability.

Key words: Financial performance analysis, liquidity, profitability, solvency, and turnover.

I. Introduction

In the dynamic panorama of commercial enterprise, knowledge and evaluating financial overall performance is important for knowledgeable decision-making and sustainable increase. Financial performance analysis entails a systematic examination of an organisation's economic statements and related metrics to assess its usual fitness, performance, and profitability. This look at embarks on a adventure to delve into the world of financial performance evaluation, unraveling its importance and methodologies to benefit vision into the economic well-being of businesses

By comprehensively comparing key financial signs, inclusive of ratio analysis, this have a look at goals to offer a clear image of how effectively an organisation is utilizing its sources and producing cost. The analysis will no longer only assist stakeholders, investors, managers, lenders, and regulatory bodies, in making knowledgeable decision however also shed light on the business enterprise's aggressive function inside its industry. Through a structured method, we are able to discover numerous equipment, ratios, and benchmarks generally used in financial performance evaluation. The examine might also even cope with the significance of trend evaluation and peer benchmarking, permitting a deeper information of a firm's monetary trajectory and its relative standing inside the marketplace.

II. Statement of The Problem

The proposed look at pursuits to conduct a radical analysis of the financial performance of Karnataka Soaps and Detergents Limited for the period of 5 year i.e., from 2017-18 to 2021-22. This studies intends to cope with the need for a comprehensive evaluation of the agency's monetary health, considering key indicators along with profitability, liquidity, solvency, and performance. The problem to hand lies inside the absence of an in-depth evaluation that hampers stakeholders' capacity to make informed selections. By investigating the economic statements, ratios, and traits, this study seeks to identify profitability role position of the company. The study's results are critical for both internal management and outside investors, facilitating higher strategic making plans, risk management, and allocation of assets to make certain the firm's sustained growth in a dynamic monetary environment.

III. Objectives

1. To analyze the profitability, liquidity, turnover and solvency position of Karnataka soaps and detergents limited using ratio analysis for past five years financial statements.

2. To provide findings and suggestions to enhance the performance of KS&DL.

IV. Type of Research

In view of the objective of the examine listed above, an **exploratory research** layout has been adopted. Exploratory studies is one that is already interpreted and already to be had information and it lays precise emphasis on assessment and interpretation of the prevailing and to be had facts. In this research will be using secondary facts.

V. Scope of The Study

This observe analyzes the general financial function of KS&DL by means of using accounting ratios and different equipment. The evaluation covers from the F.Y 2017-18 to 2021-22 for inspecting financial statements along with income statements and stability sheets. The study's scope includes the numerous variables influencing the corporation's monetary role. The research takes into account information from the preceding 5 years.

VI. Research Methodology

6.1 Source of data collection

The information gathered associated with the examine was gathered via secondary statistics.

Secondary data: The secondary data is accrued from the yearly reviews, schedules, budgets and other statements of the enterprise, organisation websites and many others., that's supplied by way of the financial branch of KS & DL.

6.2 Data Analysis

The collected data are analyzed using:

- Ratio Analysis

6.3 Period of The Study

The length taken into consideration for this project is company's last five financial years i.e., from 2017-18 to 2021-22 which offers a comprehensive and insightful foundation for in-depth study.

VII. Limitations of The Study

- The company's certain information are kept confidential.
- The study needs to be interpreted carefully.
- They can offer clues to the organisation's performance or monetary situation. But on their own, they cannot display whether or not overall performance accurate .

VIII. Review of Literature

Mr.P. Kanagaraj & Ms. R. Anusha(2021): Financial performance performs an crucial function in figuring out the economic strengths and weak point of an employer relative to that of the opposite corporations in the equal enterprise. The examine used 6years of Infosys Ltd secondary statistics and important goal is to identify the financial overall activity of the industry to decide the destiny increase of the enterprise. The ratio analysis is this work. The tips monitor that the agency have to try and decrease their costs and maintain their profitability stage. **Mr. K. Mahendran & Mr. Kishor Kumar S (2023):** The process of figuring out a company's strengths and deficiency is known as financial evaluation. By figuring out the relationship among the gadgets at the balance sheet and income statement of the commercial enterprise, the observe is completed. The investigation became conducted by way of inspecting HCL Technologies' 5-year economic statements. The study's number one desires are to ascertain the organisation's monetary analysis and to help in determining the employer's growth. Secondary facts is used in this observe. Ratio analysis, fundamental income in keeping with share, and other metrics were hired within the examine.**Nirmala. M & Pavithra. K (2020):** The studies changed into performed to research the determinants of the economic overall performance on decided on cement agencies in India. Infrastructure is the primary key function of call for inside the production. The statistics for this studies used secondary facts in nature and facts taken from 2009-2010 to 2018-2019. This observe concludes that some comparative ratios showing the negative courting and the corporations have to pay attention and improve in the one's precise ratios. This observe allows the economic buyers, cement companies to understand and take decision for destiny system in the difficulty.**Prasanta Paul (2021):** the Monetary Execution Assessment - The selected NBFCs are taken in part for the imminent observe. The work is conducted to analyze the Credit Company with Five of the NBFCs at the have a look at's listing are considered while comparing monetary overall performance. Numerous statistical strategies are hired, such as general deviation, mathematics imply, correlation, and others.

IX. Data Analysis and Interpretation

9.1 Liquidity Ratio

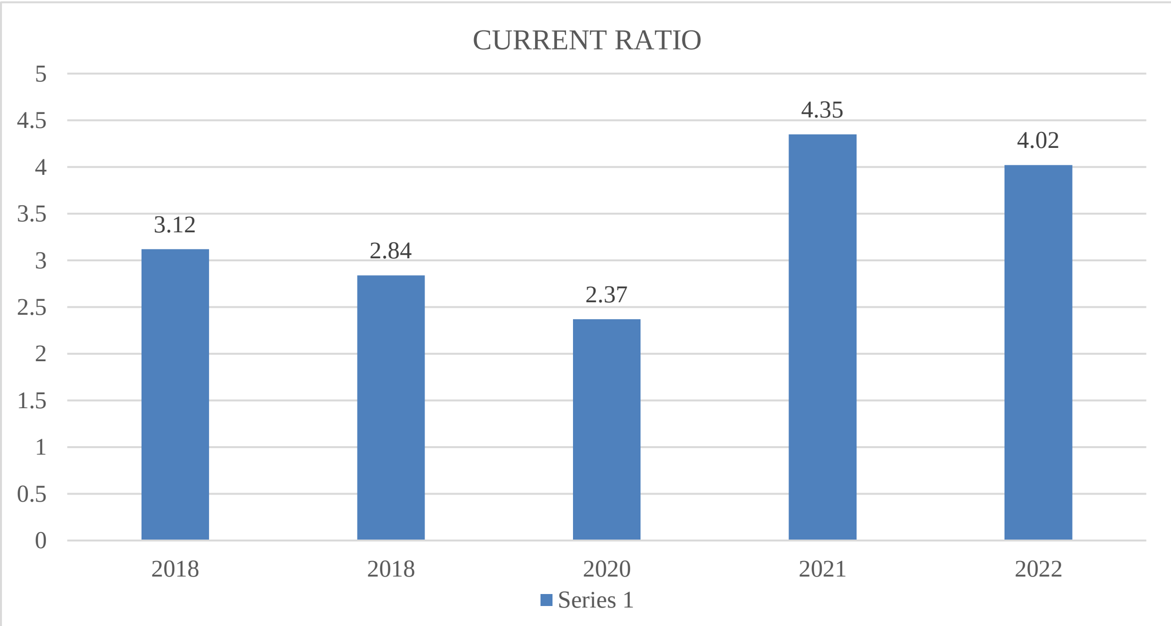
9.1.1 Current Ratio

It is a economical metric which gives a easy way of judging agency's quick-term liquidity and capacity to cowl its instant monetary obligations. It's calculated by way of dividing a enterprise's modern property by means of its current liabilities. It helps you recognize whether or not a corporation has enough belongings that may be quick converted into cash to repay its short-time period debts. If ratio is high, it suggests that the firm is into the higher position to meet its monetary obligations inside the close to future. If the ratio if low it possibly imply capability difficult repay its short-term money owed.

$$\textbf{CURRENT RATIO} : \frac{\textbf{CURRENT ASSET}}{\textbf{CURRENT LIABILITIES}}$$

Table 1: The table showing the calculation of current ratio

YEAR	CURRENT ASSET	CURRENT LIABILITIES	CURRENT RATIO
2017-18	453.62	145.53	**3.12 times**
2018-19	633.33	222.74	**2.84 times**
2019-20	818.83	346.02	**2.37 times**
2020-21	751.20	172.52	**4.35 times**
2021-22	921.03	229.20	**4.02 times**



Graph 1: Graph showing the variation in the current ratio

INTERPRETATION:

The ideal ratio this ratio is 2:1. This is the liquid ratio that evaluate whether the corporation has sufficient resources to satisfy its short-term duties. Hence, from the above statistics it is visible than that the value obtained is extra than 1. The agency is in favorable situation and the business enterprise has potential to pay its short-time period responsibilities or those due within twelve months. It also shows that business enterprise has right financial efficiency.

9.2 Solvency Ratio

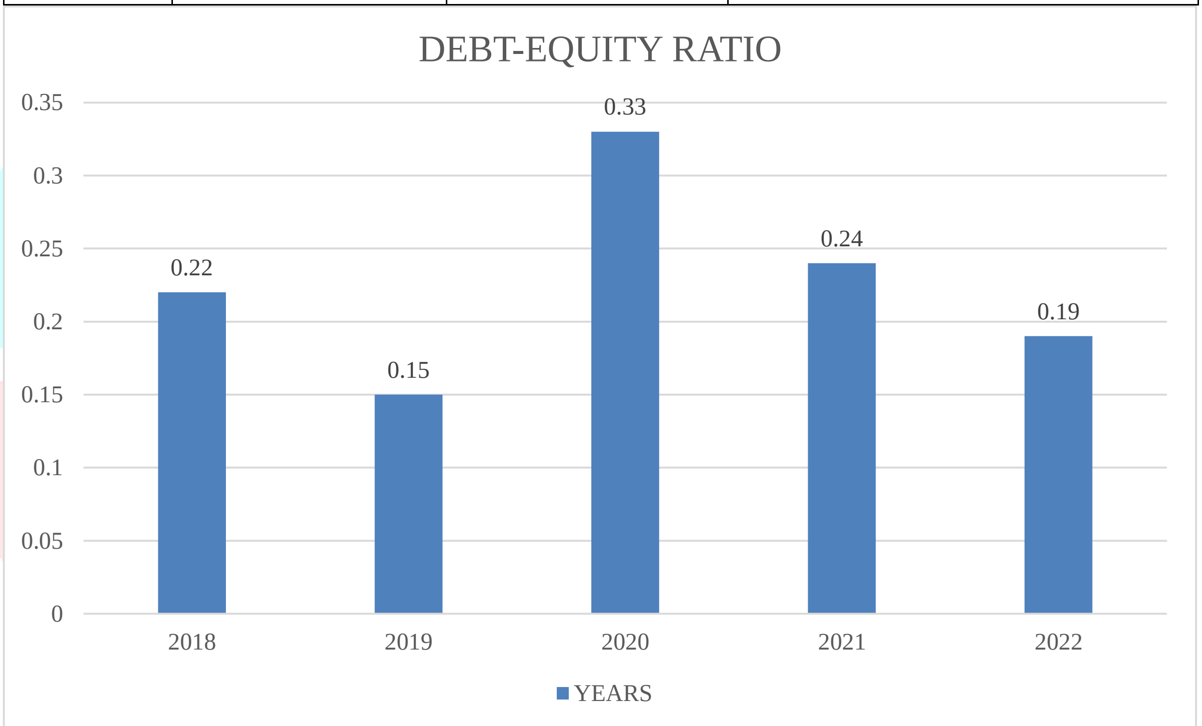
9.2.1 Debt-equity ratio

Debt-to-equity (D/E) ratio is utilized to judge an organisation's monetary leverage and is calculated via dividing a business enterprise's general liabilities by its shareholder fairness. D/E ratio is an crucial metric in corporate finance. This is a count about level to which a business enterprise is financing its functioning with debt in place of its personal sources. It's a particular form of gearing ratio.

$$\textbf{DEBT-EQUITY} : \frac{\textbf{TOTAL LIABILITIES}}{\textbf{TOTAL EQUITY}}$$

Table 2: The table showing the calculation of Debt-equity ratio

YEAR	TOTAL LIABILITIES	TOTAL EQUITY	DEBT-EQUITY RATIO
2017-18	306.79	1408.77	**0.22**
2018-19	222.74	1510.56	**0.15**
2019-20	516.5	1581.56	**0.33**
2020-21	398.24	1688.15	**0.24**
2021-22	341.45	1803.24	**0.19**



Graph 2: Graph showing the variation in the Debt-equity ratio

INTERPRETATION:

The popular ratio of debt to equity ratio is 2:1. A exact debt to equity ratio is b/w 1 to at least 1.5. However, the standard ratio of debt to equity ratio will vary on the due to the fact some industries use greater debt financing than others. The Company's ratio in the yr is low in past 5 years, thus it shows that the firm is getting more finance by borrowing money instead of funding through equity. High debt-equity ratio is often associated with high risk.

9.3 Turnover Ratio

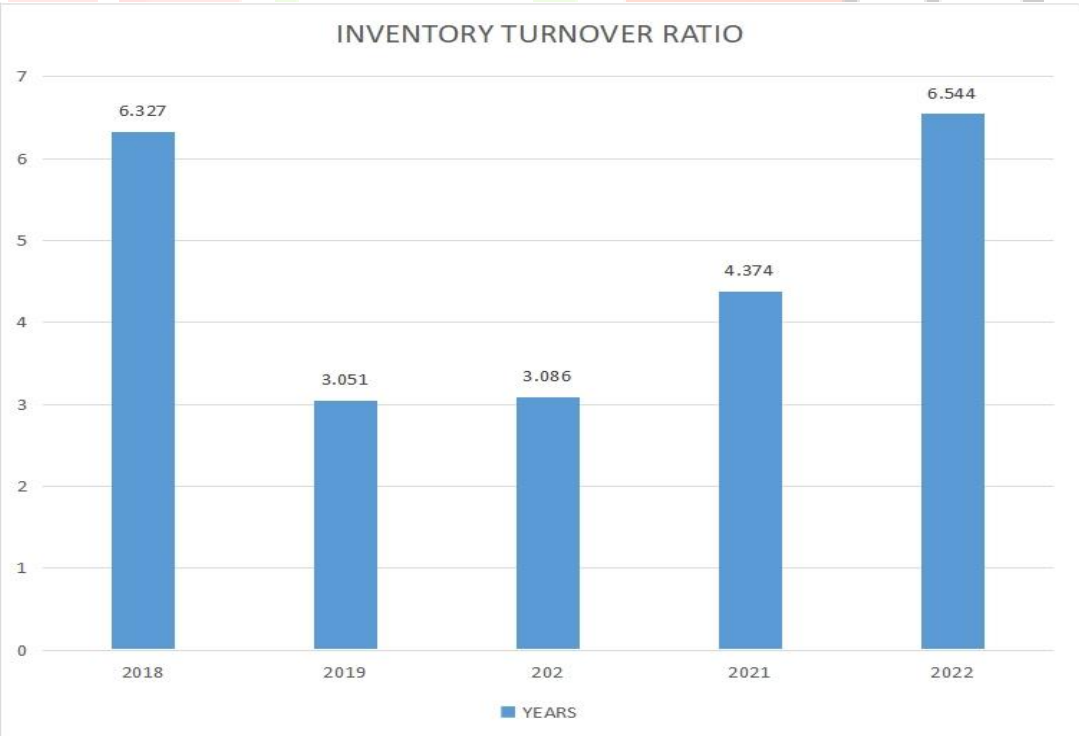
9.3.1 Inventory turnover ratio

This ratio is also known as stock turnover ratio. It measures how rapid the enterprise replaces a current batch of inventories and transforms them into income. A higher ratio indicates that the agency's product is in high call for and sells quick, ensuing in decrease stock control charges and extra earnings.

$$\text{INVENTORY TURNOVER RATIO:} \quad \frac{\text{REVENUE FROM OPERATIONS}}{\text{AVERAGE INVENTORY}}$$

Table 3: The table showing the calculation of Inventory turnover ratio

YEAR	REVENUE FROM OPERATION	AVERAGE INVENTORY	STOCK TURNOVER RATIO
2017-18	488.61	77.225	**6.327 times**
2018-19	568.25	186.25	**3.051 times**
2019-20	645.04	209.035	**3.086 times**
2020-21	783.75	179.2	**4.374 times**
2021-22	929.62	142.05	**6.544 times**



Graph 3: Graph showing the variation in the Inventory turnover ratio

INTERPRETATION:

Inventory turnover ratio between 4 and 6 is usually a good barometer. It signals that restock rates and sales are balanced, although every business is different. Hence, the company's inventory turnover ratio is fluctuating in the preceding five years but through the above calculation it seems the ratio got improved in last economical year than its preceding years that states firm is paying off suppliers at a faster rate than in previous periods. A growing ratio approach the firm has lots of cash available to pay off its immediate obligations in a well-timed way.

9.4 Profitability Ratio

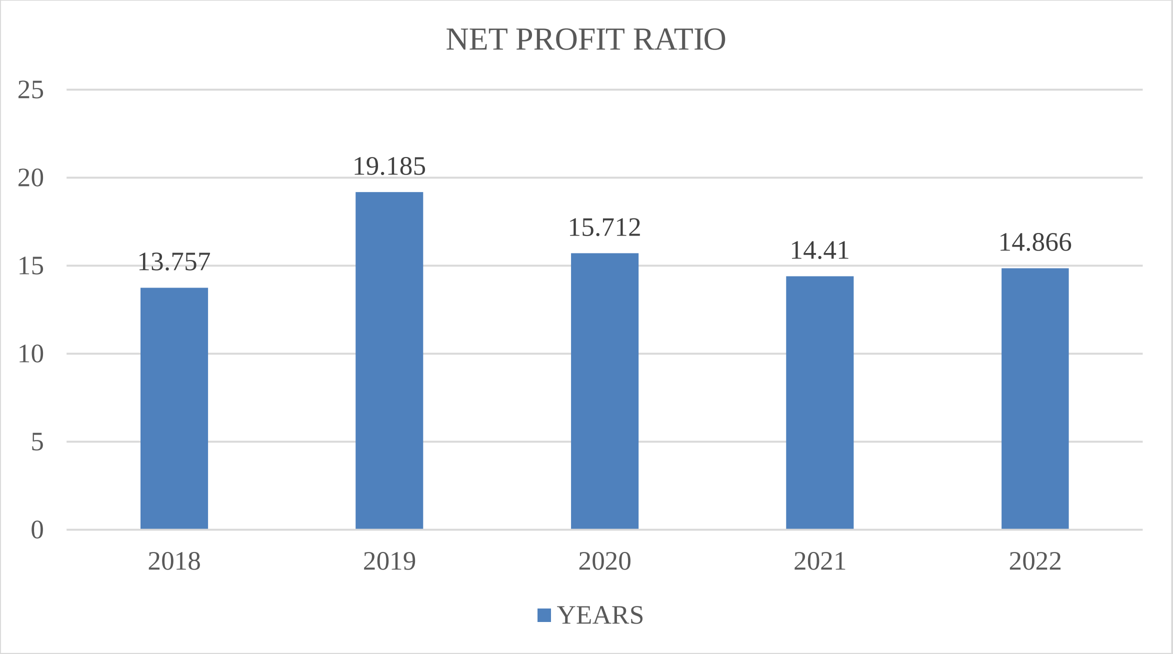
9.4.1 Net profit ratio

This ratio also called as net income margin, is a key financial metric that evaluates a organization's profitability by way of expressing its net profit as a percent of its overall revenue. It gives perception into how efficiently a enterprise is able to convert its income into real earnings later auditing the running costs, taxes, and other prices. A better internet income ratio suggests better value management and more profitability, whilst a lower ratio might also recommend challenges in controlling fees or generating healthful returns from trade.

NET PROFIT RATIO : NET INCOME ÷ TOTAL SALES × 100

Table 4: The table showing the calculation of Net profit ratio

YEAR	NET INCOME	TOTAL SALES	NET PROFIT/WORTH RATIO
2017-18	67.22	488.61	**13.757**
2018-19	109.02	568.25	**19.185**
2019-20	101.35	645.04	**15.712**
2020-21	112.94	783.75	**14.410**
2021-22	138.20	929.62	**14.866**



Graph 4: Graph showing the variation in the Net profit ratio

INTERPRETATION:

A high ratio suggests green control of the affairs of enterprise. Utilization of net earnings ratio along side the belongings turnover ratio facilitates in ascertaining how profitably the belongings were used simultaneously. Hence, the graph appearce as the corporation's profit ratio is decreasing in the financial yr 2019-20 however in the 2021-22 profit were given slightly multiplied whilst compared to 2020-21, hence it representing that the employer is not dealing with its commercial enterprise affairs efficaciously and the employer became unprofitable during the duration because of lack inside the commercial enterprise operations.

X. SUMMARY OF FINDINGS

- As the current ratio is obtained greater than 1 ,which means an organisation is favorable situation and ability to pay its short-term obligations.
- The Company's debt equity ratio is low in past 5 years, because of this the enterprise is getting more finance by borrowing money instead of funding through equity.
- corporation's profit ratio is decreasing in the financial yr 2019-20 however in the 2021-22 profit were given slightly multiplied whilst compared to 2020-21 representing that the employer is not dealing with its commercial enterprise affairs efficaciously and the employer became unprofitable during the duration.
- Inventory turnover ratio got improved in last year when in comparison to its previous years which shows the enterprise is repaying its dealers quickly than in previous periods. An increasing in this will tells that an organization has plenty of cash available to pay off its short-term debt in a timely manner.

XI. SUGGESTIONS

- Organization is suggested to develop the debt-to-equity ratio by paying down any loans. When they pay off loans, the ratio starts to balance out. Make sure the company don't take on additional debt since that can raise the debt-to-equity ratio.
- The most crucial proposal to awareness on these four key areas which can help to power profitability. These are lowering prices, increasing turnover, increasing productiveness, and growing performance.
- Consider conducting a benchmarking analysis to compare the company's financial ratios with those of its competitors and industry standards.
- Investigate the causes of the decrease in net profit margin over the years and consider strategies to improve profitability.
- Consider conducting a risk analysis to evaluate potential risks to the company's financial position and develop strategies to mitigate them.
- Conduct a financial forecasting analysis to assess the company's financial position in the short-term and long-term.

X. CONCLUSION

The financial ratios suggest that the company is generally in a healthy financial position, there are some areas where caution should be exercised. An evaluation of financial ratio appears that the firm's income is reduced in final 2 years. KS&DL's liquidity role seems to be wholesome, with strong cash flows and workable stages of debt. This advises firm have the monetary capability to achieve its short time period responsibilities and fund its ongoing operations without excessive reliance on outside financing.

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