

A Study on Financial Performance Analysis of Elgi Rubber Limited Company

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Abstract:

This study focuses on the financial performance and operational efficiency of ELGI Rubber Company with the objective of analyzing its overall business position and growth trends. The project is based on secondary data collected from published annual reports, financial statements, company websites, and other reliable sources for a selected period of study. The analysis helps in understanding the company's short-term financial stability, long-term solvency position, and earning capacity. Key ratios like current ratio, debt-equity ratio, gross profit ratio, and net profit ratio have been used to assess the financial health of the organization. The findings of the study highlight the strengths of ELGI Rubber Company in maintaining sound financial management.

Keywords: Analysis, long term, solvency, short-term, financial strength

1. INTRODUCTION

Financial statements are prepared primarily for decision making. The statements are not end in them but are useful in decision-making context. The balance sheet may be described as financial cross section taken at certain intervals and the coming statements as a condensed history of the growth and delay between cross sections. Financial statements are very helpful in giving various indicators with the help of techniques popularly known as ratio-analysis is restored the technique is called as analysis and relation of financial statements. The financial statement provides the information for financial analysis. The analysis of financial statement is an important aid to financial analysis. They provide information on how the firm has performed in past and what is its current financial position. The utility of such statement is that a forecast may be made of the prospects of future earning ability to pay interest, debt and profitability of sound dividend policy.

2. REVIEW OF LITERATURE

- **Mrs. N. Sumathi and Dr. K. Jothi (2016)2**, "A comparative analysis on cement companies in India with reference to ULTRA TECH LIMITED AND OCL INDIA LIMITED" accomplishing this study using convenience sampling approach for the period of 10 years and

concluded that financial position of the companies is satisfactory, profitability ratio proves the performance of selected companies and both the companies must enhance their short-term solvency position. Chandrahas Sahu (2013)3, "The study on mathematical modeling of concrete mixes, and its properties in flesh and harden state" by using slump test and comparison factor test and compressive strength and indicates that mixes containing distinct dosage of the fantastic plasticizer indicates the impact on compressive strength of concrete and enhance the work ability.

- **Verma, P., & Jain, K. (2018)**, "Ratio analysis of financial performance of BHARTI AIRTEL LIMITED" International Journal of Commerce and Management Research, Volume 9, Issue 2, pp. 67-74, ISSN: 2455-1627. This study evaluates the financial performance of Bharti Airtel Limited using various financial ratios.

- **Nair, M., & Rao, K. (2018)**, "Financial performance analysis of BAJAJ AUTO LIMITED using ratio analysis Journal of Business and Management Sciences Volume 6, Issue 2, pp. 75-82, ISSN: 2333 4533. This study assesses the financial health of Bajaj Auto Limited over a period of 5 years using various

financial ratios, highlighting that the company has a stable financial position but should improve its current ratio.

- **Sharma, R. and Gupta, P. (2018),** “Financial performance analysis of INDIAN PHARMACEUTIAL” companies using ratio analysis International Journal of Financial Management, Volume 7, Issue 1, pp. 55-60, ISSN: 2319-4936. This study evaluates the financial health of major Indian pharmaceutical companies over a period of 5 years, using various financial ratios. It concludes that while most companies maintain a satisfactory financial position, improvements are needed in managing long-term debts.

3.STATEMENT OF THE PROBLEM

Elgi Rubber Company Limited has experienced fluctuating financial performance over recent years, raising concerns among stakeholders about its financial stability and growth potential. Despite showing periods of profitability, the company has faced challenges in maintaining consistent earnings and managing its debt levels. This inconsistency has led to uncertainties regarding the company's ability to sustain long-term growth and meet its financial obligations. The primary objective of this analysis is to evaluate the financial performance of Elgi Rubber Company Limited using ratio analysis. By examining key financial ratios, current ratio, liquidity ratio, proprietary ratio ,debt equity ratio the analysis aims to provide a comprehensive understanding of the company's financial health. This will help stakeholders identify strengths, weaknesses, and areas requiring improvement.

6.ANALYSIS AND INTERPRETATION

Table: 6.1
 Current Ratio

Year	Current Assets	Current Liabilities	Current Ratio
2020–2021	146.26	88.2	1.65
2021–2022	134.45	73.2	1.83
2022–2023	133.45	113.99	1.17
2023–2024	123.73	104.94	0.78
2024–2025	136.47	118.36	0.82
		Average	1.25

4.OBJECTIVES OF THE STUDY

- To ascertain the short term solvency position of the company.
- To know the profitability position of the company.
- To analyse the company long term solvency position.

5.RESEARCH METHODOLOGY

Research methodology in evaluating financial statement performance typically involves both qualitative and quantitative analyses to provide a comprehensive understanding of an entity's financial health. First, the quantitative aspect includes the collection of financial data from balance sheets, income statements, and cash flow statements over a specific period. By examining key financial ratios, current ratio, liquidity ratio, proprietary ratio ,debt equity ratio are calculated to quantify performance. Statistical tools and software, like regression analysis and financial modeling, are often employed to identify trends, correlations, and anomalies in the financial data.

SOURCES OF DATA

Secondary data is used in this study. This data analyzing financial performance statements involves using pre-existing data collected and published by other sources. This includes financial reports from companies, industry analyses and financial databases. Secondary source includes books, articles, database, providing a basis for literature reviews, background information or additional context in research studies.

Tools Used: The Financial performance was analysed using the ratio analysis.

Interpretation:

The table:6.1 shows the trend of current assets, current liabilities, and the current ratio over five years. The current ratio remains fairly stable, ranging between 0.78 and 1.83, The highest ratio is in the year 2020-2021 and lowest in the year 2022 and 2023. The average is 1.25. The current ratio is above average for 2years and below average 3 years. It indicate a low consistent short-term liquidity position.

Table : 6.2
 Liquidity Ratio

Year	Cash & Cash Equivalents	Current Liabilities (Cr.)	Liquidity Ratio
2020–2021	21.34	88.2	0.24
2021–2022	21.9	73.2	0.29
2022–2023	21.05	113.99	0.18
2023–2024	18.41	104.94	0.17
2024–2025	21.5	118.36	0.18
		Average	0.21

Interpretation:

The table:6.2 shows liquidity ratio over five years. remains fairly stable, ranging between 0.17 and 0.29, The highest ratio is in the year 2021-2022 and lowest in the year 2022 and 2023. The average is 0.21. The current ratio is above average for 2 years and below average 3 years. It indicating a low consistent short-term liquidity position.

Table : 6.3
 Gross Profit

Year	Gross Profit (Cr.)	Net Sales (Cr.)	Ratio
2020–2021	184.98	368.38	50.21
2021–2022	149	343.14	43.69
2022–2023	196.9	389.58	50.54
2023–2024	221.54	394.5	56.54
2024–2025	210.53	386.45	54.47
		Average	51.09

Interpretation:

The table:6.3 gross profit over five years. remains fairly stable, ranging between 43.69 and 56.54, The highest ratio is in the year 2022-2023 and lowest in the year 2020 and 2021. The average is 51.09. The current ratio is above average for 2 years and below average 2 years.It indicating a low consistent short-term liquidity position.

Table: 6.4
 Net Profit

Year	Net Profit (Cr.)	Net Sales (Cr.)	Ratio (%)
2020–2021	172.6	360.2	47.91
2021–2022	154.3	338.75	45.55
2022–2023	191.8	395.4	48.51
2023–2024	218.9	402.6	54.37
2024–2025	207.4	392.15	52.88
		Average	50.64

Interpretation:

The table:6.4 shows net profit over five years. remains fairly stable, ranging between 45.55 and 54.37. The highest ratio is in the year 2023-2024 and lowest in the year 2021 and 2022. The average is 50.64. The current ratio is above average for 2 years and below average 3 years indicating a consistent short-term liquidity position.

Table : 6.5
 Proprietary Ratio

Year	Share Holders Fund (Cr.)	Total Asset (Cr.)	Ratio
2020–2021	264.31	400.2	0.66
2021–2022	274.39	387.82	0.7
2022–2023	282.31	432.67	0.65
2023–2024	296.42	471.01	0.62
2024–2025	313.77	504.49	0.62
		Average	0.65

Interpretation:

The table:6.5 shows proprietary ratio over five years. remains fairly stable, ranging between 0.7 and 0.66, The highest ratio is in the year 2020-2021 and lowest in the year 2023 and 2024. The average is 0.65. The current ratio is above average for 2years and below average 3 years indicating a consistent short-term liquidity position.

Table : 6.6
 Debt Equity Ratio

Year	Debt (Cr.)	Equity (Cr.)	Ratio
2020–2021	47.01	264.31	0.17
2021–2022	40.01	274.39	0.14
2022–2023	36.11	282.31	0.12
2023–2024	69.53	296.42	0.23
2024–2025	72	313.77	0.22
		Average	0.17

Interpretation:

The table:6.6 shows the trend of current assets, current liabilities, and the current ratio over five years. The current ratio remains fairly stable, ranging between 0.12 and 0.23, The highest ratio is in the year 2022-2023 and lowest in the year 2021 and 2022. The average is 0.17. The current ratio is above average for 3years and below average 2 years indicating a consistent short-term liquidity position.

7.Findings:

- The current ratio is above the average for 2 years this indicates low consistent short term liquidity position.
- The liquidity ratio is above average for 2 years this indicates low consistant short term solvency position.
- The Gross profit ratio is above average for 2 years this indicates low consistant gross profit.
- The Net profit ratio is above average for 3 years this indicates consistant net profit.
- The Proprietary ratio is above average for 3 years this indicates consistant contribution of share holders funds in total assets.
- The Debt Equity ratio is above average for 3 years this indicates high contribution of owners fund.

8. CONCLUSION

The present study on the financial performance of ELGI Rubber Company reveals notable fluctuations in profitability over the period of analysis. The analysis of net profit ratios further confirms that ELGI Rubber Company faced difficulties in maintaining consistent profitability in the recent year, despite having stable sales levels. Overall, the project highlights that while ELGI Rubber Company demonstrated reasonable financial strength in earlier years.

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