

A Study on Financial Performance Analysis of Hatsun Agro Products

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ABSTRACT

This study evaluates the financial performance of Hatsun Agro Product Ltd., a leading dairy company in India, using ratio analysis, and Karl Pearson's correlation analysis over a five-year period (2019-2020 to 2023-2024). The research assesses the company's liquidity, solvency, profitability, efficiency, Market Performance Ratios, and Leverage Ratios using key financial metrics. The findings indicate fluctuating liquidity ratios, a moderate debt-equity ratio, and stable but declining profitability. The study provides insights into financial trends and offers strategic recommendations for improving financial stability and growth.

Keywords: Financial Performance, Ratio Analysis, Liquidity, Solvency, Profitability, Efficiency, Debt-Equity, Stability.

INTRODUCTION

The concept of the financial performance analysis is to identify the financial strength and weakness of a company by using its financial statements as the source of data. Hatsun Agro Product Limited is a listed public company who is a leading manufacturer in the Dairy sector, they produce various milk products like ice-cream's, cottage cheese, curd, butter etc.,.

Financial analysis plays a crucial role in evaluating a company's stability, profitability, and overall financial health. This study aims to assess the financial position of Hatsun Agro Product Ltd., a leading dairy industry player, using ratio analysis, comparative analysis, and correlation methods. The research focuses on liquidity, profitability, solvency, and efficiency, identifying key trends and challenges.

FINANCE

Finance is the study and management of money, investments, and financial systems. It revolves around understanding how money is raised, allocated, and spent, as well as the risks and returns associated with various financial decisions. Broadly, finance can be categorized into three main areas:

1. **Personal Finance:** Focuses on the financial decisions individuals make, such as budgeting, saving, investing, managing debt, and planning for retirement. It helps people manage their finances to achieve personal goals.
2. **Corporate Finance:** Deals with how businesses acquire capital (through equity, debt, etc.) and manage financial operations to maximize shareholder value. It includes financial planning, risk management, capital budgeting, and financial reporting.
3. **Public Finance:** Concerned with the financial activities of governments, such as taxation, spending, budgeting, and managing public debt. Public finance ensures that government activities are funded and managed sustainably.

At the heart of finance are key principles like the time value of money (money today is worth more than the same amount in the future), the trade-off between risk and return, and the importance of making informed, strategic decisions about allocating financial resources.

Overall, finance plays a crucial role in enabling economic growth, helping individuals and organizations achieve their financial goals, and ensuring the efficient functioning of financial markets and systems.

FINANCIAL STATEMENT ANALYSIS

Financial statement analysis is an effective and efficient way to present the overall financial performance of a company; The most important and necessary structure in financial analysis is to help stakeholders in the business. Financial analysis is the process of carefully examining the financial position and business of the company to better understand its status and performance. Financial statements provide stakeholders with some important information such as income and balance sheets regarding financial conditions such as assets, liabilities and equity model at a particular point in time. Financial analysis is a way to determine the effectiveness of a company's financial performance. Financial analysis is the process of determining the significance and financial characteristics of a company's financial transactions. Financial statements are measures of two important things: performance and financial soundness.

About Company:

Hatsun Agro Product Limited is engaged in manufacturing and marketing of milk, dairy products and cattle feed in India and worldwide. The company has cultured dairy products like ice cream, kulfi flavours, fine desserts, chocolate and yoghurt and milk spreads. It also includes dairy products, skimmed milk, ghee, cheese and other products. The company sells Arun Ice Cream, Arokya, Hatsun, HAP on a daily basis. Its products are exported under the brands Ibaco, Dairy products and Santosa. Hatsun Agro Product Limited was established in 1986 and is headquartered in Chennai, India.

Top Executives			
Name	Age	Since	Title
R. G. Chandramogan	75	1986	Non-Executive Chairman
K. S. Thanarajan	75	2017	Non-Executive Non-Independent Director
S. Subramanian	65	2019	Non-Executive Independent Director
C. Sathyan	46	2001	Executive Vice Chairman
J. Shanmuga Priyan	46	2024	MD & Executive Director
V. Rajendran Muthu	71	2020	Non-Executive Independent Director
Archana Narayanaswamy	61	2024	Non-Executive Independent Woman Director

SCOPE OF THE STUDY

Financial performance analysis is very important to business as its performance varies from year to year due to various factors affecting the business environment. The effective management of the finance is the primary means of achieving the firm's liquidity and smooth functioning of the day-to-day operations. The present study could help the company as well as investors to understand its overall performance. The study also helps the management to spot the financial problems at present which need management attention. On a whole the study will enable to analyze the financial performance of the company.

STATEMENT OF THE PROBLEM

Hatsun Agro Product Ltd. faces challenges in liquidity management, increasing debt, and declining profit margins, impacting its financial stability. The company's low current ratio, rising short-term borrowings, and fluctuating earnings raise concerns about long-term sustainability. This study analyses the company's financial performance (2019-2020 to 2023-2024) to identify key issues and recommend strategies for better financial management and profitability.

India is an agriculture-based country. India's economy is largely based on agriculture and animal husbandry in which milk production plays an important role. India is the first country to produce huge volume of milk, with 22% of global production. It is additionally the largest buffalo drain maker within the world.

This study is undergone to analyze the financial performance of the Hatsun agro product limited. It is one of the largest private sectors which is producing milk in India. In India it has overall 13th place in producing the milk. It is the fastest growing Asian dairy company. The company has been tripled its total turnover for the past three years. During this pandemic time the company have a slight decrease in profit compared to the last year profit so it's an apt time to study about the financial performance of the hatsun agro product limited.

NEED OF THE STUDY

The need of the study is to consider the monetary execution of hatsun agro product limited. The study is to know about the financial performance of the organization.

OBJECTIVES OF THE STUDY

- 1) To analyze the short-term solvency position of the Hatsun Agro Products.
- 2) To analyze the profitability and Long-term Solvency position of the Hatsun Agro Products.
- 3) To analyze the balance sheet and income statement performance of the Firms.

RESEARCH METHODOLOGY

This research is a full and fully based on the secondary data. The study has been made on to compare, measure, and evaluates the financial performance of hatsun agro product limited. The study covers the data of last 5 years.

RESEARCH DESIGN

Research Design is detailed blueprint used to escort the research study towards its objectives. The research design is for the study of descriptive and analytical in the nature.

SOURCE OF DATA

For the success of the present study required data was mainly collected from the secondary source of data like published annual reports, journals, books and websites. The annual report of hatsun agro product limited, from the financial year 2019 - 2020 to 2023 - 2024. This data research helps to evaluate the overall financial performance and also assesses the financial strength and weakness of the firm.

PERIOD OF STUDY

The analysis of financial performance was done for a period of five years from 2019 - 2020 to 2023 - 2024.

TOOLS AND TECHNIQUES USED

The analysis and interpretation of financial statements is used to determine the financial position of the company. The tool adopted for the study;

Financial Tools:

The MS Office Excel used for the study;

- Ratio Analysis.

Statistical Tools:

The SPSS Package used for the study;

- Karl Pearson's Correlation Analysis.

LIMITATION OF THE STUDY

- ✚ The study is based on the historical data, so it cannot be reliable.
- ✚ The study has been carried out for the period of five years and it is not sufficient enough to analyze the entire aspect of the financial position of the company.
- ✚ We cannot predict the future financial position of the company based on the study.

REVIEW OF LITERATURE

Review of the literature provides a basis for future investigation, an insight in to the problem It intensifies the need for data collection, relates the findings of one study to another with the hope to establish scientific knowledge. It can shed light on ways to improve the efficacy of the study and obtain useful advice on how to increase the effectiveness of data analysis and it can also unveil some promising methodological tools. It can also serve as a connecting link between the findings of the previous research that has been done in the problem area and the results of the proposed study. The purpose of the literature review is to convey the reader what knowledge and idea have been established on a topic.

Mr. A. David, Ms. T. Sangeetha (2023)¹, aims to conduct a comprehensive analysis of the financial performance of Hatsun Agro Based Products Limited, a leading Agro-based company. Through extensive investigate and fastidious information examination, the consider centres on key budgetary measurements, productivity proportions, and development designs to evaluate the companies in general budgetary wellbeing. By scrutinizing financial statements and execution patterns over a particular time period, this consider gives important bits of knowledge for speculators, partners, and administration. It surveys the company's productivity, liquidity, and solvency, empowering a more profound understanding of its budgetary position in the advertise. The discoveries will assist in making informed speculation choices, upgrading straightforwardness, and supporting vital arranging for feasible development and victory in the Agro-based industry.

R. Manasa, E. Kusuma (2023)², In this paper title a study on Proportion Investigation at HATSUN AGRO Products, this aim is to investigation the Ratio Analysis position of the company utilizing the money related instruments. This ponder based on money related articulation such as Proportion investigation and monetary execution. By utilizing this device combined it empowers to decide a viable way. This inquiries about makes a difference to distinguish and allow proposal the range of weaker position of trade exchange in HATSUN AGRO Products. This investigate is made to assess the Proportion investigation asper slant analysis.

Harikumar, Laxmi Kirana, Dol Priya Devi (2022)³, Drain is a commonly expended delicate drink fundamental to numerous peoples generally eat less as it gives all significant nourishments and micronutrients. Drain is considered profitable since it is synthesized some time recently youth and adulthood. In any case, its moderately tall drenched fat substance raises the address of whether it can contrarily influence the cardiovascular framework. This think about assesses the most recent distributions on dairy items and human well-being, as portrayed in epidemiological, scholastic, and biochemical prove. For case, the impacts of drain (particularly skim drain) on body weight show up obvious, and the most

popular considers appear that the utilize of diary items does not increment the rate of cardiovascular issues or certain tumours. The ponder was conducted utilizing a survey and focused on two sorts of dairy items: bundled and unpackaged. The prove is uncertain, but a few considers propose that drain and its by-products may offer assistance a few populaces. Future ponders will offer assistance clarify the part of drain and dairy products in human well-being, but their utilize in a legitimate count calories ought to be considered without explicit contraindication fragments.

ANALYSIS AND INTERPRETATION

Data are facts and statistics are collected together for reference or analysis. Data analysis and interpretation is an important step in the process of research. It involves assigning meaning to the collected information and determining the conclusions, significance and implications of the findings. It is the process of systematically applying statistical logical techniques.

Data analysis follows the process of data collection. Data collection is a systematic method of gathering information from various sources for the research process. The data collected is transformed into information and knowledge about the research.

RATIO ANALYSIS

S.NO.	PARTICULARS	VALUE
1	Current Ratio	0.62
2	Liquid Ratio	0.12
3	Cash Ratio	0.036
4	Absolute Liquid Ratio	0.04
5	Debt-Equity Ratio	1.2
6	Proprietary Ratio	0.338
7	Fixed Assets to Net Worth Ratio	2.14
S.NO.	PARTICULARS	VALUE
8	Fixed Assets to Total Long Term Funds Ratio	1.35
9	Ratio of Current Assets to Proprietor's Funds Ratio	0.703
10	Gross Profit Ratio	28.1
11	Net Profit Ratio	3.12
12	Operating Ratio	18.639
13	Working Capital Turnover Ratio	-922.09
14	Earnings Per Share (EPS)	9.58
15	Interest Coverage Ratio	3.36

KARL PEARSON'S CORRELATION ANALYSIS

S.NO.	PARTICULARS	VALUE
1	Correlation Between Inventory and Trade Payables	0.66683
2	Correlation Between Operating Expenses and Gross Profit	0.41121
3	Correlation Between Debt-To-Equity Ratio and Return On Investment	0.27403

FINDINGS

Findings from Ratio Analysis

- ✚ The **Current Ratio** averaged 0.62, which is below the ideal 2:1, indicating potential liquidity concerns.
- ✚ The **Quick Ratio** averaged 0.12, showing heavy reliance on inventory to meet short-term liabilities.
- ✚ The **Cash Ratio** averaged 0.036 (3.6%), indicating low cash reserves and liquidity risk.
- ✚ The **Absolute Liquid Ratio** averaged 0.04, suggesting insufficient highly liquid assets to cover liabilities.

- ✚ The **Debt-Equity Ratio** averaged 1.2, indicating moderate financial leverage, with debt slightly exceeding equity.
- ✚ The **Proprietary Ratio** averaged 0.338 (33.8%), meaning about 34% of assets are funded by shareholders' equity.
- ✚ The **Fixed Assets to Net Worth Ratio** averaged 2.14, indicating a high investment in fixed assets, reducing financial flexibility.
- ✚ The **Fixed Assets to Long-Term Funds Ratio** averaged 1.35, showing reliance on long-term funds for asset investment.
- ✚ The **Ratio of Current Assets to Proprietor's Funds Ratio** averaged 0.703, indicating the company has moderate profitability, low liquidity, and high reliance on short-term liabilities, requiring better cash and debt management.
- ✚ The **Gross Profit Ratio** averaged 28.1%, but a decline to 20.33% in 2023-2024 suggests rising costs or lower pricing power.
- ✚ The **Net Profit Ratio** averaged 3.12%, showing moderate profitability with fluctuations.
- ✚ The **Operating Ratio** averaged 18.64%, indicating stable operating cost management.
- ✚ The **Working Capital Turnover Ratio** remained negative (-922.09), suggesting reliance on short-term liabilities, leading to liquidity risks.
- ✚ **Earnings Per Share (EPS)** averaged ₹9.58, with an increase to ₹11.997 in 2023-2024, indicating improving profitability.
- ✚ The **Interest Coverage Ratio** averaged 3.36, showing that the company can cover its interest expenses but with limited financial cushion.

Findings from Karl Pearson's Correlation Analysis

- ✚ **Inventory and Trade Payables** had a moderate to strong positive correlation (0.66683), suggesting that inventory levels impact trade payables.
- ✚ **Operating Expenses and Gross Profit** had a moderate positive correlation (0.41121), indicating that as expenses increase, gross profit also rises.
- ✚ **Debt-to-Equity Ratio and Return on Investment (ROI)** had a weak positive correlation (0.27403), meaning debt financing has a limited effect on returns.

SUGGESTION

- ✚ The company has demonstrated a commendable financial trajectory, marked by an increasing gross profit margin and operating profit margin, coupled with a decreasing operating ratio. These trends signify enhanced efficiency in managing production and operational expenses, ensuring sufficient earnings to cover associated costs. Additionally, robust current and debt-equity ratios underscore the firm's capacity to meet its debt obligations, reflecting a healthy financial stance.
- ✚ However, the observed decline in net profit margin raises concerns about potential inefficiencies in managing overall company affairs. To address this, the firm should focus on reducing unnecessary expenses and optimizing cost structures. Implementing the First-In, First-Out (FIFO) inventory management method can be instrumental in this endeavour. FIFO ensures that the oldest inventory is utilized or sold first, minimizing waste, reducing storage costs, and maintaining product quality. This approach not only streamlines inventory management but also contributes to more accurate financial reporting and improved cash flow.
- ✚ Moreover, attention must be directed towards the declining quick ratio, a critical indicator of the firm's immediate liquidity position. A decreasing quick ratio may signal challenges in covering short-term liabilities without relying on inventory sales. To bolster this ratio, the company should enhance cash reserves and manage receivables more effectively, ensuring a more resilient financial posture.

By concentrating on efficient management practices, optimizing inventory through FIFO, and strengthening liquidity metrics, the company can enhance its net profit margins and sustain long-term financial health.

CONCLUSION

Implementing effective cost reduction strategies is essential for enhancing a company's efficiency, productivity, and profitability. By identifying and eliminating unnecessary expenses without compromising product or service quality, businesses can improve their financial health and competitiveness.

However, it's crucial to approach cost-cutting measures thoughtfully to avoid potential risks, such as diminished product quality or employee morale.

For long-term, sustainable growth, cost management must be approached strategically and with balance. Maintaining strong financial ratios, like debt-to-equity and current ratios, is also a sign of a company's sound financial standing. However, if the quick ratio is dropping, it is important to pay attention to other liquidity metrics as well. Costs can be effectively managed by putting stock management strategies into practice, such as the First-In, First-Out (FIFO) strategy and regularly checking stock levels. Although there will always be risk and uncertainty in business operations, proactive steps and strategic planning can lessen their effects and promote long-term prosperity.

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