

A Study on Financial Statement Analysis of Seikodenki (India) PVT. LTD., Chennai

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ABSTRACT

Financial statement analysis is an essential tool used to evaluate the financial performance and position of an organization. It helps stakeholders understand operational efficiency, profitability, liquidity, and solvency of a business. This study focuses on Seikodenki (India) Pvt. Ltd., Chennai, analyzing its financial statements over a period of five years from 2020 to 2025. The study is based on secondary data collected from annual reports and uses analytical tools such as ratio analysis, trend analysis, and comparative financial statements. The findings indicate that the company maintains strong liquidity but faces challenges in profitability and operational efficiency.

The study suggests improving cost control measures, enhancing asset utilization, and strengthening financial planning. Financial statement analysis thus plays a significant role in effective decision-making and long-term sustainability. It also helps in improving financial discipline within the organization and supports better allocation of financial resources. Moreover, it ensures alignment between financial goals and business strategies. Additionally, it enhances accountability and transparency in financial reporting systems. It also helps management in setting performance benchmarks and contributes to risk management and financial stability. Thus, financial statement analysis plays a crucial role in both operational and strategic management of the organization.

KEYWORDS

Financial Statement Analysis, Ratio Analysis, Liquidity, Profitability, Efficiency, Working Capital, Financial Performance.

1. INTRODUCTION

Finance is the backbone of any organization, as it involves the management of funds necessary for business operations. Every business activity, whether production, marketing, or expansion, requires financial resources, and proper financial management ensures smooth functioning, stability, and growth of an organization. It also helps in maintaining a balance between income and expenditure while supporting long-term planning and development.

It is crucial for businesses to keep an eye on their financial performance in the cutthroat business world of today. Profitability, liquidity, and efficiency are evaluated using tools like trend analysis, comparative financial statements, and ratio analysis. These resources offer information about a company's advantages and disadvantages. The financial statement analysis of Seikodenki (India) Private Limited, Chennai, from 2020 to 2025 is the main focus of this study. The study's objectives are to examine important financial metrics and comprehend the company's performance patterns over the chosen time frame. To give a clear picture of the business's financial performance, ratio analysis, comparative statements, and trend analysis are used in the analysis. The study's conclusions highlight the company's financial advantages and disadvantages and offer recommendations for enhancing overall performance. Additionally, it highlights how crucial financial analysis is to making wise decisions.

2. LITERATURE REVIEW

Purnama, Hanitha & Angreni (2020), analyzed financial statements data of an Indonesian distributor to ascertain the financial health of the company in terms of liquidity, activity, profitability, and solvency ratios. The research was conducted to establish financial conditions and problems to submit information to the management and recommend enhancement. The findings revealed inconsistent financial ratios changes throughout the years with a few ratios improving, and some depreciating the performance. The authors discovered that the profit levels had a tendency of making small upward movements though there were areas that required corrective measures. They made a conclusion that financial statement analysis provided good guidance in comprehending performance of companies and formulating strategic financial adjustments.

Nawawi (2020), tested financial statement analysis methods used in examining the performance of PT Unilever Indonesia between the period of 2020-2023 by comparing the horizontal and ratio analysis methods. It was aimed at evaluating the liquidity, solvency, activity, and profitability trends that can be used to detect the changes in the financial conditions. Results revealed declining liquidity signals that point to short-term difficulties and solvency ratios were rising, so the company depends more on external funds. The profitability ratios had different trends as well, the profitability decreased steadily, though. The research found out that financial statement analysis was an in-depth view of financial performance of the company and identified areas that required better management of the assets and cash within the company.

Hasibuan, Kumalasari, Br Ritonga & Fauzan (2020), conducted a review of financial report analysis to determine the performance of sharia banks based on various ratio measures as indicators of financial health. The research aimed at finding answers to the question of how financial ratios such as liquidity and profitability can be used as indicative of past performance and future performance. Findings indicated that the use of ratio interpretation revealed the strengths and risks of the financial statements. The authors discovered that financial report analysis provided insight into the financial trends and can be used to make decisions by the managers. They have concluded that the financial statement 19 analysis was one of the main instruments of analyzing the present state and the further strategic planning.

Boyoh & Sinabutar (2020), reviewed literature regarding the application of financial statements to evaluate the performance of companies using available literature and textbooks. The aim of the study was to put together the theory and empirical evidence on the methods of financial statement analysis. Results showed that ratio analysis, trend analysis and comparative analysis were largely used in analyzing financial condition. The findings revealed that the regular application of these techniques was useful in explaining financial performance and assisting in making internal and external decision-making.

3. METHODS (RESEARCH METHODOLOGY)

3.1 Research Design

The study adopts an analytical research design, which focuses on analyzing financial data to draw meaningful conclusions. This design helps in understanding relationships between financial variables and identifying trends over time. It allows systematic evaluation of financial performance and ensures that the conclusions drawn are based on logical reasoning. Analytical research design is widely used in financial studies because it provides a structured approach to analyzing quantitative data.

It facilitates the use of various statistical and financial tools to examine the data thoroughly. By applying this design, the researcher can identify key financial indicators and evaluate their impact on overall performance. This approach also helps in drawing objective conclusions without personal bias. Furthermore, this research design supports the comparison of financial data across different time periods, which is essential for identifying growth patterns and performance fluctuations.

3.2 Data Source

The study is based on secondary data collected from annual reports of Seikodenki (India) Pvt. Ltd. (2020–2025), financial journals, textbooks, and online resources. Secondary data is considered reliable and cost-effective, as it provides historical financial information necessary for analysis. The annual reports include detailed financial statements such as balance sheets, income statements, and cash flow statements, which form the basis for analysis. Journals and textbooks provide theoretical support, while online resources help in understanding current financial trends and developments.

Secondary data plays a significant role in financial research as it allows the researcher to analyse past performance and identify trends over a period of time. The use of annual reports ensures that the data used in the study is authentic and prepared according to standard accounting principles. These reports provide a comprehensive view of the company's financial position, making them a reliable source for analysis. In addition, they help in understanding the company's growth, profitability, and financial stability over the selected period.

3.3 Tools and Techniques

The study uses ratio analysis, trend analysis, comparative analysis, and common size analysis as tools for evaluating financial performance. Ratio analysis helps in measuring relationships between financial variables such as liquidity, profitability, and efficiency. Trend analysis identifies patterns over time, while comparative analysis highlights year-to-year changes in financial performance. Common size analysis expresses financial data in percentage form, making comparison easier and more meaningful. These tools collectively provide a comprehensive understanding of financial performance and support effective decision-making.

Category	Ratios Used	Purpose
Liquidity Ratios	Current Ratio, Quick Ratio	Measure short-term solvency
Profitability	Gross Profit, Net Profit Ratio	Measure earning capacity
Efficiency	Inventory Turnover, Debtors Ratio	Measure resource utilization
Solvency	Debt-Equity Ratio	Measure long-term stability

Ratio analysis is one of the most widely used techniques in financial statement analysis. It simplifies complex financial data into meaningful ratios that can be easily interpreted. Liquidity ratios help in assessing the company's ability to meet short-term obligations, while profitability ratios evaluate the earning capacity of the business. Efficiency ratios measure how effectively the company utilizes its resources.

3.4 Period of Study

The study covers a period of five years from 2020 to 2025, which provides a comprehensive view of the financial performance of Seikodenki (India) Pvt. Ltd. This period is selected to analyze recent financial trends and to understand how the company has performed over time. A multi-year study helps in identifying patterns, fluctuations, and consistency in financial performance, which cannot be observed in a short-term analysis.

3.5 Sampling Technique

The study adopts purposive sampling technique for selecting financial data relevant to the research objectives. Purposive sampling involves the deliberate selection of specific data that is most useful for the study. In this case, financial statements such as balance sheets, income statements, and cash flow statements are chosen as they provide essential information required for financial analysis. Purposive sampling ensures that only relevant and meaningful data is

selected for the study, thereby improving the accuracy and quality of analysis. It focuses on key financial variables that directly influence the company's performance while eliminating unnecessary data.

3.6 Limitations of the Study

The study is based entirely on secondary data collected from annual reports and other published sources; therefore, its accuracy depends on the reliability of these data. Any errors in the original data may affect the results. The study covers a limited period of five years, which may not fully reflect the long-term financial performance of the company. Additionally, external factors such as economic conditions, market fluctuations, and government policies are not considered.

Further, time constraints and limited access to additional data may restrict the depth of analysis. Despite these limitations, the study provides useful insights into the financial performance of the company and helps identify key areas for improvement.

4. RESULTS

4.1 Liquidity Analysis

The liquidity analysis indicates that the company has a strong ability to meet its short-term obligations. The current ratio and quick ratio reflect a stable financial position and ensure timely payment of liabilities. The results show a positive trend in liquidity, indicating a strong financial base. However, excessive liquidity may lead to inefficient utilization of resources, as idle assets do not generate returns.

1. Current Ratio

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2. Quick Ratio

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

Cash Ratio

$$\text{Cash Ratio} = \frac{\text{Cash} + \text{Cash Equivalents}}{\text{Current Liabilities}}$$

4.2 Working Capital Analysis

Working capital analysis evaluates the company's ability to manage its short-term assets and liabilities effectively. It represents the difference between current assets and current liabilities and indicates the firm's capacity to meet day-to-day operational requirements. The results show that the working capital position of the company remains relatively stable over the five-year period, reflecting efficient financial management.

4.3 Efficiency Analysis

Efficiency analysis evaluates how effectively the company utilizes its assets and resources to generate revenue. It focuses on key indicators such as inventory turnover ratio, debtor turnover ratio, and average collection period. These ratios help in understanding how efficiently the company manages its inventory, receivables, and overall operations. In this study, the efficiency ratios show fluctuations over the years, indicating inconsistencies in the utilization of resources and

operational performance. The inventory turnover ratio reflects how quickly the company converts its inventory into sales.

4.4 Profitability Analysis

Profitability analysis evaluates the company's ability to generate earnings from its operations. Key ratios such as gross profit ratio and net profit ratio are used to measure earning capacity. The results indicate that gross profit has improved over the years, while the net profit ratio has declined due to increased operating expenses. This shows that although the company manages direct costs effectively, higher indirect expenses affect overall profitability.

1. Gross Profit Ratio

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

2. Net Profit Ratio

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

3. Operating Profit Ratio

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Net Sales}} \times 100$$

4.5 Trend Analysis

Trend analysis is used to examine the financial performance of the company over a period of time by analyzing changes in key financial indicators. It helps in identifying patterns, growth trends, and fluctuations in performance. Trend analysis also supports forecasting and planning by providing insights into future performance. It assists management in decision-making, budgeting, and developing strategies for long-term growth.

4.6 Financial Performance Evaluation

Financial performance evaluation provides a comprehensive assessment of the overall financial health of the company by considering various financial indicators such as liquidity, profitability, and efficiency. It helps in understanding how well the company is performing in terms of generating profits, managing resources, and maintaining financial stability.

4

4.7 Operational Efficiency Analysis

Operational efficiency analysis focuses on evaluating how effectively the company utilizes its resources to achieve its business objectives. It examines various aspects such as production efficiency, inventory management, and receivables management. Efficient operations help in reducing costs, increasing productivity, and improving overall performance. In this study, operational efficiency analysis indicates that the company needs to improve its efficiency in certain areas.

5. DISCUSSION

The discussion interprets the financial results and highlights their significance. The company shows strong liquidity, ensuring its ability to meet short-term obligations. However, excessive liquidity may indicate inefficient use of resources, which can affect profitability. Therefore, maintaining a balance between liquidity and profitability is essential for effective financial management. The decline in net profit despite improvement in gross profit indicates rising operating expenses. Fluctuations in efficiency ratios also suggest issues in inventory and receivables management. Overall, the

results emphasize the need for better cost control, improved efficiency, and balanced financial management to achieve sustainable growth.

6. CONCLUSION

The study comes to the conclusion that analyzing financial statements is essential to assessing an organization's financial performance. According to the analysis, Seikodenki (India) Pvt. Ltd. has stable working capital and a strong liquidity position, which guarantees both financial stability and seamless business operations. However, the need for better cost control and resource utilization is highlighted by the declining trend in profitability and variations in efficiency. Additionally, excess liquidity suggests underutilization of assets, which could have an impact on overall returns.

The business should concentrate on better inventory and receivables management, efficient asset utilization, and effective cost control in order to improve financial performance. Long-term sustainability will be ensured and improved decision-making will be supported by regular financial analysis and the implementation of suitable financial strategies.

7. FINDINGS

The study reveals that the company has a strong liquidity position, which ensures its ability to meet short-term obligations effectively. However, excess liquidity may lead to underutilization of resources and reduced profitability. Profitability shows a declining trend due to increasing expenses, while working capital remains stable. Efficiency analysis indicates fluctuations in inventory and receivables management, suggesting the need for better operational control.

8. SUGGESTIONS

The company should improve the utilization of current assets to avoid excess liquidity and enhance profitability. Effective cost control measures should be implemented to reduce operating expenses and improve net profit. The company should also strengthen inventory and receivables management to improve efficiency and cash flow. Regular financial analysis and adoption of modern financial tools will support better decision-making and long-term stability.

9. IMPLICATIONS OF THE STUDY

The study is useful for managers in understanding financial strengths and weaknesses, supporting better decision-making and strategic planning. It helps improve financial performance and operational efficiency. It also benefits investors and researchers by providing insights into financial stability and practical application of financial analysis, contributing to better investment decisions and academic knowledge.

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APPENDIX

TABLE OF RESULTS FOR CALCULATION OF THE FINANCIAL RATIOS

Ratio	Year					Result	Interpretation
	2021	2022	2023	2024	2025		
Current ratio	5.34	3.61	4.69	5.18	50.74	Increased	Good
Quick ratio	0.46	0.36	4.69	5.18	50.74	Increased	Good
WCR	0.9	0.89	0.87	0.89	0.92	Increased	Good
ITR	0	2	0	0	0	Decreased	Not Good
ACP (Days)	2.96	2.73	2.65	5.27	3.96	Decreased	Good
NP Ratio	9.99	7.19	5.69	6.57	5.4	Decreased	Not Good
OP Ratio	74.52	75.48	70.46	70.35	70.59	Increased	Good

Trend Percentage of Net Profit

Year	Net Profit	Trend
2020 - 2021	16.76	100.00
2021 - 2022	11.93	71.18
2022 - 2023	9.57	57.10
2023 - 2024	11.8	66.70
2024 - 2025	9.26	55.25