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A Study on the Financial Performance Analysis of Titan Company Limited

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ABSTRACT

This study analyzes the financial performance of Titan Company Limited over a five-year period (2020-2024) using ratio analysis as the primary financial tool. The analysis of liquidity, solvency, profitability, and asset management, justify the company's health cover financial aspects and analyze growth patterns over time. Titan is found to have a stable liquidity position, but the declining proprietary ratio indicates that the company is becoming more dependent on external finance. The estimate is confirmed further by observing the declining gross profit ratio which suggests increasing costs related to the production and difficulty in managing supply chains. The net profit ratio, despite the operational challenges, is steadily above the industry benchmarks which illustrates profitable operations of the business. In conclusion, this study suggests that Titan must emphasize cost control, debt repayment, equity capital strengthening, and operational efficiency improvements to sustain financial stability and growth in the long term. Implementing these strategies will improve the financial position of Titan and assist the company in retaining its significant position in the industry.

INTRODUCTION TO FINANCE

Finance, which includes money management, investments, and financial planning for individuals, businesses, and governments, is the foundation of economic stability. To guarantee stability in finances and enlargement, it entails risk management, investing, saving, and budgeting. Technological developments like digital banking, cryptocurrencies, and AI-driven financial tools are changing how people manage their wealth in the constantly shifting financial world of today. Making wise decisions, staying out of debt traps, and establishing long-term success all depend on having a solid understanding of finance. financial continues to be a dynamic force that affects both economic progress and individual well-being, whether through personal financial objectives or globally market trends.

REVIEW OF LITERATURE

David Brown (2016)[1], "A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF TITAN COMPANY LIMITED" This comprehensive literature review examines the practice of comparative analysis in evaluating financial ratios, learning from companies and to inform the assessment of Titan's financial performance. By analyzing comparative studies, benchmarking methodologies, and industry norms, this review elucidates the importance of contextualizing Titan's financial ratios within the broader competitive landscape and market environment. Through a research, it provides valuable insights into how Titan's performance metrics performed against industry and facilitating informed strategic planning.

Kumar & Singh (2018)[2] analyzed Titan's financial statements from 2013 to 2017 in their study **"FINANCIAL PERFORMANCE ANALYSIS OF TITAN COMPANY LIMITED."** They highlighted consistent revenue growth and improved profitability margins, it assists in enhancing the brand positioning and product diversification.

OBJECTIVES OF THE STUDY

- To find out the profitability position of the company.
- To evaluate the liquidity and solvency position of the company.
- To identify trends and patterns in the company's financial performance

- To know the management of assets of the company.

STATEMENT OF THE PROBLEM

The primary objective of this study is to evaluate and analyze the financial performance of Titan Company over the past five years. Financial performance analysis is a critical aspect of business management, as it helps stakeholders—such as management, investors, creditors, and regulatory bodies—make informed decisions regarding the financial health and sustainability of an organization. This study will focus on examining key financial indicators such as profitability, liquidity, solvency, and efficiency through various financial ratios, such as Return on Assets (ROA), Return on Equity (ROE), Current Ratio, and Debt-Equity Ratio. In addition, it will utilize financial statements, including the balance sheet, income statement, and cash flow statement, to assess trends, identify strengths and weaknesses, and provide insights into operational performance. This research aims to address these challenges and provide insight into the financial performance analysis of titan.

RESEARCH METHODOLOGY

RESEARCH DESIGN

A research design is an overall strategy or plan that guides a research project that includes methods of collecting, measur ing, and analyzing data to resolve a specific research question or a particular problem. Both descriptive and analytical research designs have been adopted for the study.

SOURCE OF DATA

The study is based on only secondary data. In the case study approach of the secondary data collection method, I have collected the data from annual reports, analyzed information which is available on web-sites of the titan company.

PERIOD OF THE STUDY

The Research work was carried out for the period of three months.

TOOLS AND TECHNIQUES USED

FINANCIAL TOOLS

- Ratio analysis

LIMITATION OF THE STUDY

- The study covers mainly for the period of five years from 2020-2024.Hence comprehensive study cannot be done.
- The analysis and interpretation are based only on the past performance.

DATA ANALYSIS AND INTERPRETATION

TABLE :1 CURRENT RATIO

YEAR	CURRENT ASSET	CURRENT LIABLITIES	CURRENT RATIO
2019-2020	9,534.83	5,243.88	1.82
2020-2021	12,501.00	7,193.00	1.74
2021-2022	16,379.00	9,559.00	1.71
2022-2023	20,686.00	11,521.00	1.80

2023-2024	22,693.00	13,362.00	1.70
AVERAGE			**1.75**

SOURCE: COMPUTED FROM THE MONEY CONTROL

INTERPRETATION

The table shows that the Current Ratio has, fluctuating between 1.70 and 1.82 over the past five years. This indicates that the company has enough current assets to cover short-term liabilities**,** maintaining a healthy liquidity position.

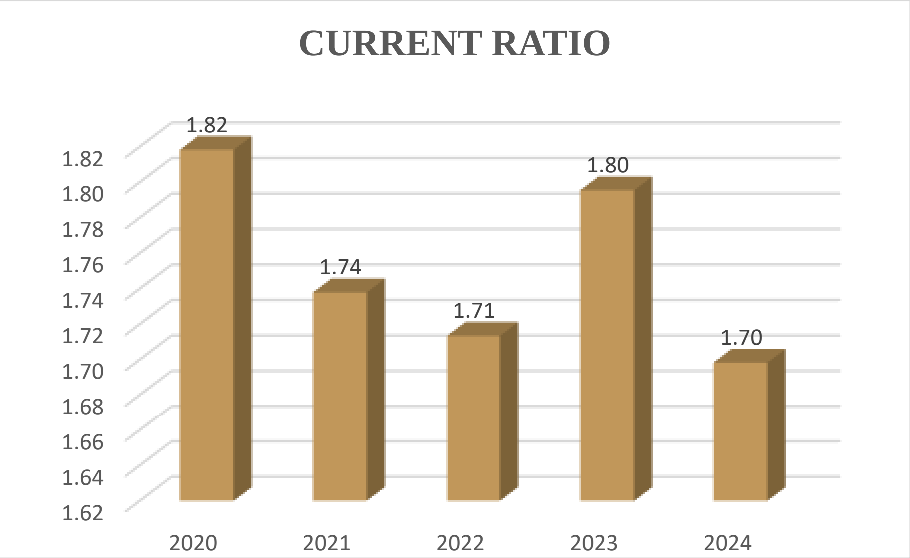


TABLE :2 PROPRIETARY RATIO

YEAR	SHAREHOLDER"S FUND	TOTAL ASSETS	PROPRIETARY RATIO
2020	6,824.86	13,187.95	0.52
2021	7,553.00	15,860.00	0.48
2022	9,373.00	20,137.00	0.47
2023	11,994.00	25,088.00	0.48
2024	14,457.00	32,862.00	0.44
AVERAGE			**0.48**

SOURCE: COMPUTED FROM THE MONEY CONTROL

INTERPRETATION

The table shows that the Proprietary Ratio**,** declined from 51.76% in FY 2020 **to** 44.00% in FY 2024**.** This reflects that the company **is** relying more on borrowed funds rather than equity financing. A declining proprietary ratio means higher financial risk, as the company may face increased debt obligations and reduced financial flexibility**.**

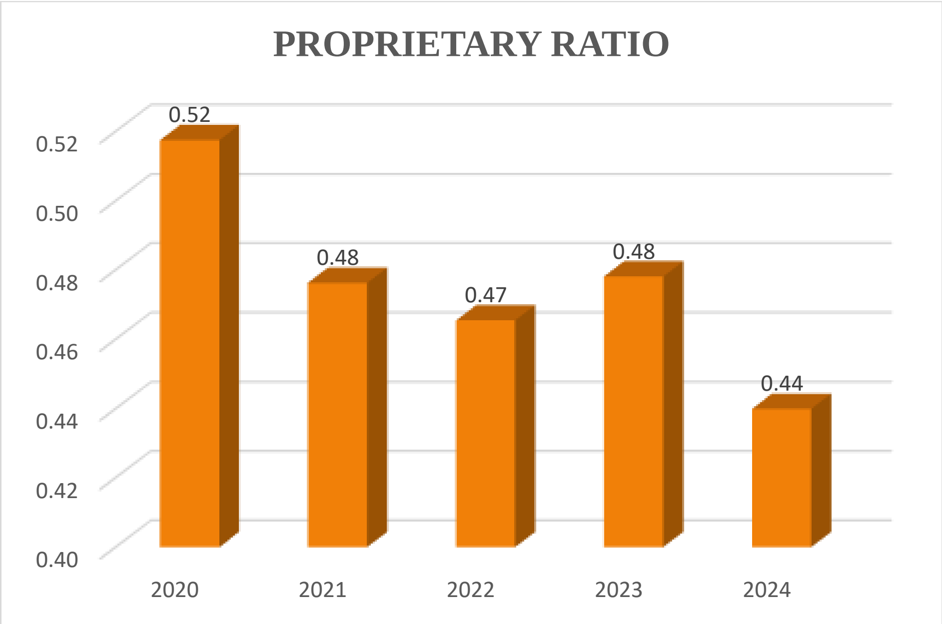


TABLE :3 CURRENT ASSETS TO PROPRIETORS FUND RATIO

YEAR	CURRENT ASSETS	SHAREHOLDER"S FUND	CURRENT ASSETS TO PROPRIETORS FUND RATIO
2020	9,534.83	6,824.86	1.40
2021	12,501.00	7,553.00	1.66
2022	16,379.00	9,373.00	1.75
2023	20,686.00	11,994.00	1.72
2024	22,693.00	14,457.00	1.57
AVERAGE			**1.62**

SOURCE: COMPUTED FROM THE MONEY CONTROL

INTERPRETATION

The table shows that current assets to proprietor's fund ratio for the year 2020, was 1.40**,** This increased to FY 2021 and FY 2022, reflecting an increasing preference for liquid assets. However, the ratio slightly declined in FY 2023 and FY 2024, suggesting that while the company still maintains a strong liquidity position, a portion of its capital may be shifting towards non-current assets or debt repayment.

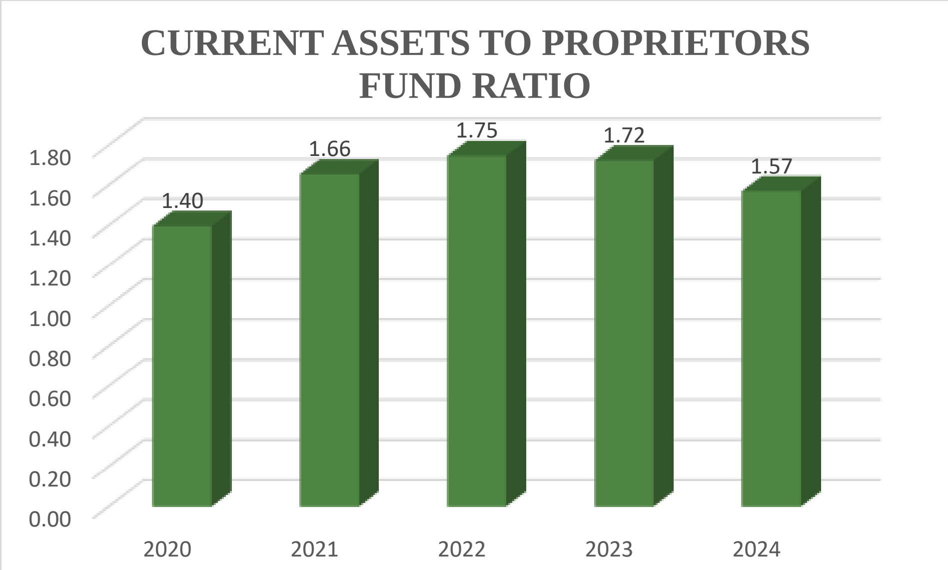


TABLE :4 GROSS PROFIT RATIO

YEAR	GROSS PROFIT	NET SALES	GROSS PROFIT RATIO
2020	5612.63	20,767.70	27.03
2021	3674	20,088.00	18.29
2022	11003	27417	40.13
2023	7569	37924	19.96
2024	7319	46751	15.66
AVERAGE			**24.21**

SOURCE: COMPUTED FROM THE MONEY CONTROL

INTERPRETATION

The table shows that the Gross Profit Ratio started at 27.93% in FY 2020 and peaked at 28.86**%** in FY 2021 due to improved inventory and cost management. However, the ratio started to decline in 2022 at 27.24% and dropped significantly to 23.13% in FY 2023 and 15.65% in FY 2024. This sharp decline indicates that the company is facing higher production costs, supply chain issues, or increased raw material prices**.**

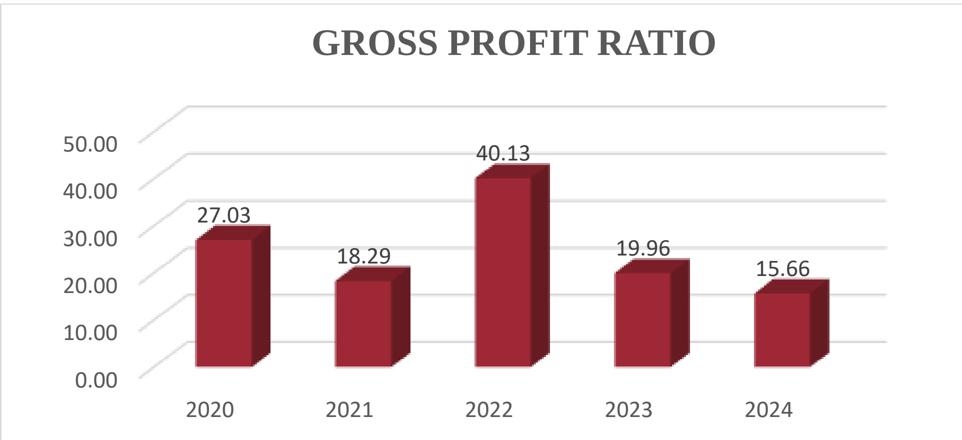


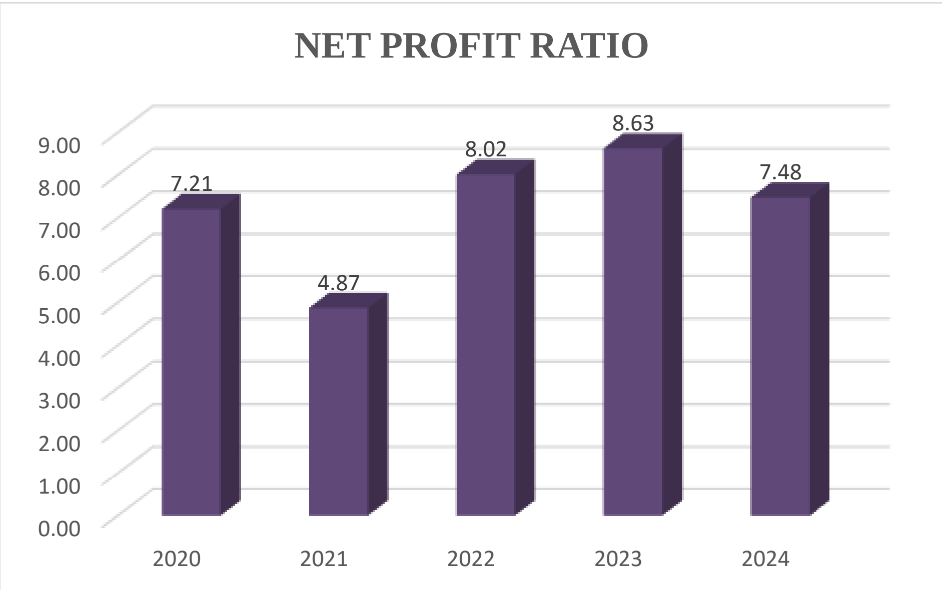
TABLE :5 NET PROFIT RATIO

YEAR	NET PROFIT	NET SALES	NET PROFIT RATIO
2019-2020	1496.69	20767.7	7.21
2020-2021	979	20088	4.87
2021-2022	2198	27417	8.02
2022-2023	3273	37924	8.63
2023-2024	3495	46751	7.48
AVERAGE			**7.24**

SOURCE: COMPUTED FROM THE MONEY CONTROL

INTERPRETATION

The table shows that the Net Profit Ratio showed a upwards trend initially, in the year 2020 at the ratio of 7.21and it declines in year 2021 and doubles it in the year 2022 at 8. peaking at 8.63% in FY 2023. However, as operational expenses and financial costs increased, the ratio declined slightly to 7.48% and FY 2024**.** This suggests that while the company continues to generate net profits, its profitability is being squeezed by rise in costs**.**



FINDINGS

- The current ratio fluctuated between 1.70 and 1.82 over the five-year period, with an average of 1.75. The ratio remained above 1.5, indicating a stable liquidity position.
- A Proprietary ratio of 0.48 is slightly below the ideal range, meaning the company is moderately dependent on external financing. To maintain a healthy balance, the company should focus on reducing debt and strengthening equity financing.

- A 1.62 ratio is generally good, indicating a healthy liquidity position. However, the declining trend should be monitored to prevent liquidity risks or inefficient asset utilization in the long term.
- A gross profit ratio above 20% is generally considered good**,** as it indicates the company has a reasonable margin after covering production costs.
- A Net Profit Ratio above 5% is generally considered decent, as it shows the company is making a reasonable profit after covering all expenses. The ratio peaked at 8.63% in 2023, indicating strong profitability during that period.

SUGGESTIONS

- To Maintain strengthen liquidity, it can focus on optimizing working capital and improving cash flow management. Reducing short-term liabilities or increasing current assets through better receivables management can enhance the ratio.
- The company should aim to strengthen its equity position by retaining more earnings or issuing additional shares.
- To maintain an optimal level of current assets to ensure liquidity without compromising capital efficiency. A well-balanced allocation between current and non-current assets can help in sustaining financial growth.
- The company should analyze cost structures and implement cost-cutting strategies to maintain profitability and Improving supply chain management and negotiating better raw material prices can help control costs and also Investing in automation and process optimization can enhance efficiency and reduce expenses.
- The company should focus on improving operational efficiency to sustain profit margins. Enhancing revenue streams through diversification and expanding market reach can contribute to long-term profitability.

CONCLUSION

The financial performance analysis of Titan Company Limited over the five-year period (2020-2024) highlights both strengths and areas for improvement. The company's liquidity position remains stable, as indicated by a current ratio consistently above 1.5. However, the declining proprietary ratio suggests an increasing reliance on external financing, which may lead to higher financial risk. While the company maintains a healthy gross profit margin, the recent decline signals rising production costs and supply chain challenges. Similarly, the net profit ratio, although above industry benchmarks, has shown fluctuations, indicating pressure from operational and financial expenses. To sustain long-term growth and financial stability, the company should focus on optimizing cost structures, improving working capital management, reducing debt dependency, and enhancing operational efficiency. Strengthening equity financing, improving supply chain strategies, and exploring new revenue streams will help By implementing these strategic improvements, the company can ensure sustainable profitability and continued financial success.

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