

Financial Performance Analysis of Diamond Engineering Private Limited

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ABSTRACT:

Financial analysis is the process of identifying the financial strengths and weakness of firm by properly establishing relationship between the items of the balance sheet and profit and loss account. The purpose of financial analysis is to diagnose the information contained in the financial statement so as to judge the profitability and financial soundness of the firm Diamond Engineering private limited profitability and efficiency of the firm. The various tools used for the study are ratio analysis and trend analyse. Charts and tables are used for better understanding. Through ratio analysis the company could understand the liquidity, solvency, profitability and efficiency position of the company. For this study descriptive research design is used. The nature of data collected for the study is secondary data. The secondary data collected from records, reports and profile of the company. Now the financial program of Diamond Engineering private limited is progressing in near the future and Diamond Engineering private limited will become strong. I arrived at the conclusion that the financial performance analysis of Diamond Engineering private limited is good. By conducting a financial performance analysis, an organization can make informed decisions to improve operational effectiveness and maintain financial stability.

KEYWORDS:

Financial Performance, Ratio Analysis, Trend Analysis, Liquidity Analysis, Solvency, Profitability, Efficiency, Diamond Engineering private limited, Financial Analysis, Working capital.

INTRODUCTION:

This article critically examines the financial performance of Diamond Engineering Pvt Ltd, a leading player in India's steel fabrication and engineering sector. Financial performance analysis is a structured evaluation process that assesses a firm's ability to generate sustainable profits, maintain liquidity, manage debt obligations, and optimize asset utilization. It involves interpreting financial data extracted from the company's balance sheet, profit and loss account, and cash flow statement, and converting them into actionable insights using financial ratios and trend evaluations.

The core objective of this study is to analyse the company's financial condition using analytical tools such as liquidity ratios (current ratio, quick ratio), profitability ratios (net profit margin, gross profit ratio), solvency ratios (debt-equity ratio, proprietary ratio), and activity ratios (inventory turnover, working capital turnover). These metrics are evaluated over a five-year period (2019–2024) to determine the company's financial stability and operational efficiency. Given the highly competitive and capital-intensive nature of the engineering and fabrication industry, it is imperative for firms like Diamond Engineering Pvt Ltd to maintain a strong financial structure. This study provides an in-depth assessment of the company's financial practices, identifies key trends, and evaluates its readiness to support strategic growth and expansion. The findings will serve as a reference point for internal decision-makers and external stakeholders such as investors, credit institutions, and regulatory bodies, enabling them to make informed financial and operational decisions.

IMPORTANCE OF FINANCIAL PERFORMANCE ANALYSIS:

Financial performance analysis is a critical tool for assessing the overall health, stability, and profitability of an organization. It provides a systematic approach to interpreting financial data, enabling stakeholders to make informed decisions based on factual insights rather than assumptions. For businesses, this analysis reveals how effectively resources are being utilized, how well the company can meet its short-term and long-term obligations, and whether it is achieving its profitability goals. One of the key benefits is the identification of financial strengths and weaknesses. By analysing metrics such as liquidity, solvency, profitability, and operational efficiency, companies can monitor trends, benchmark against industry standards, and plan corrective actions where necessary. Investors and creditors use this information to evaluate the risk and return associated with investing in or lending to a business. Moreover, financial performance analysis supports strategic planning and resource allocation by providing a clear picture of a company's financial trajectory. It helps management make sound budgeting, investment, and operational decisions. In a competitive and dynamic business environment, such analysis becomes essential for maintaining financial discipline, enhancing performance, and ensuring long-term sustainability.

ANALYTICAL & STATISTICAL TOOLS:**i. Ratio Analysis:**

Ratio analysis involves evaluating the financial health of a company by interpreting relationships between various financial statement items, such as profitability, liquidity, solvency, and efficiency ratios.

ii. Comparative Balance Sheet:

A comparative balance sheet presents the financial position of a company over multiple periods, allowing users to analyse year-over-year changes in assets, liabilities, and equity.

iii. Current Trend:

Current trend analysis identifies the direction and pattern of key financial metrics over a period, helping stakeholders understand performance movement and future expectations.

iv. Financial Statement:

Financial statements are formal records of a company's financial activities, typically including the balance sheet, income statement, and cash flow statement, used to assess performance and position.

v. Annual Reports:

Annual reports are comprehensive documents published yearly by a company, containing audited financial statements, management discussion, and performance highlights for stakeholder review.

DATA ANALYSIS & INTERPERTATION:

1.1 QUICK RATIO

YEAR	Current assets (in million)	Inventory (in million)	current liabilities (in million)	Quick Ratio (times)
2020	23023	4675	8108	2.26
2021	23785	5396	7052	2.60
2022	20577	5617	8316	1.79
2023	25114	8019	9933	1.72
2024	20837	5347	7280	2.12

Source :the balance sheet of Diamond .ltd

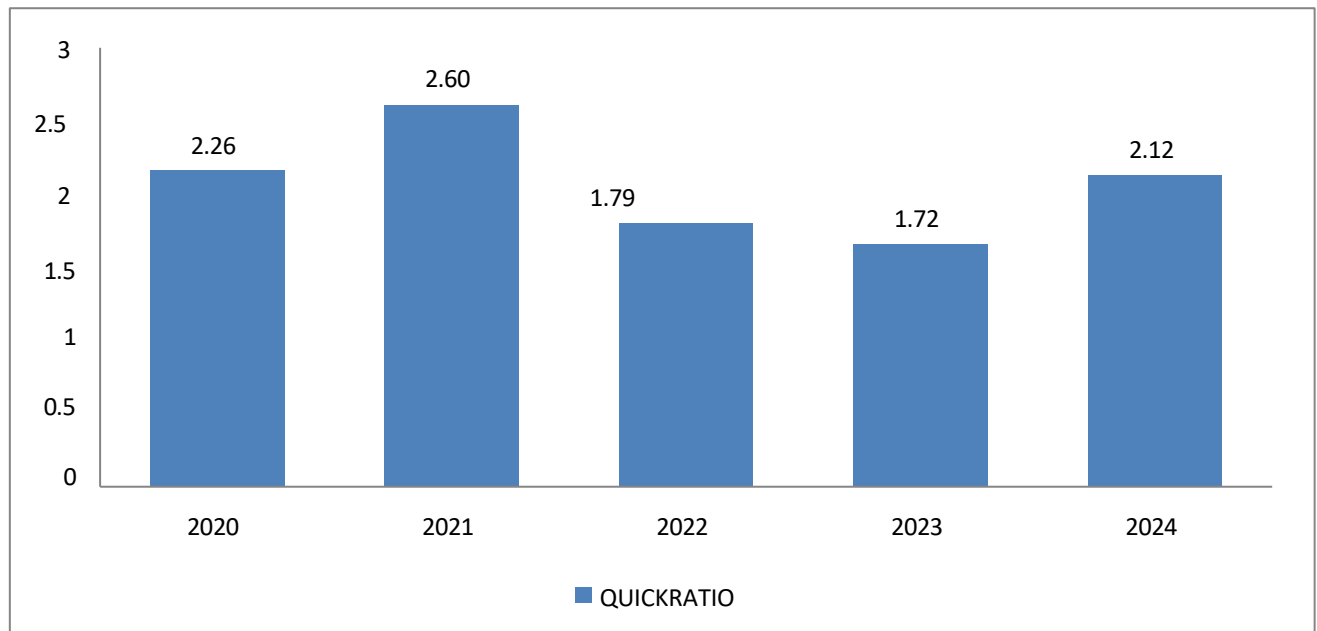


CHART NO:1.1 QUICKRATIO

INTERPRETATION:

From the above table and chart, it's identified that ,Quick Ratios how's a fluctuation between 2020 to 2024.

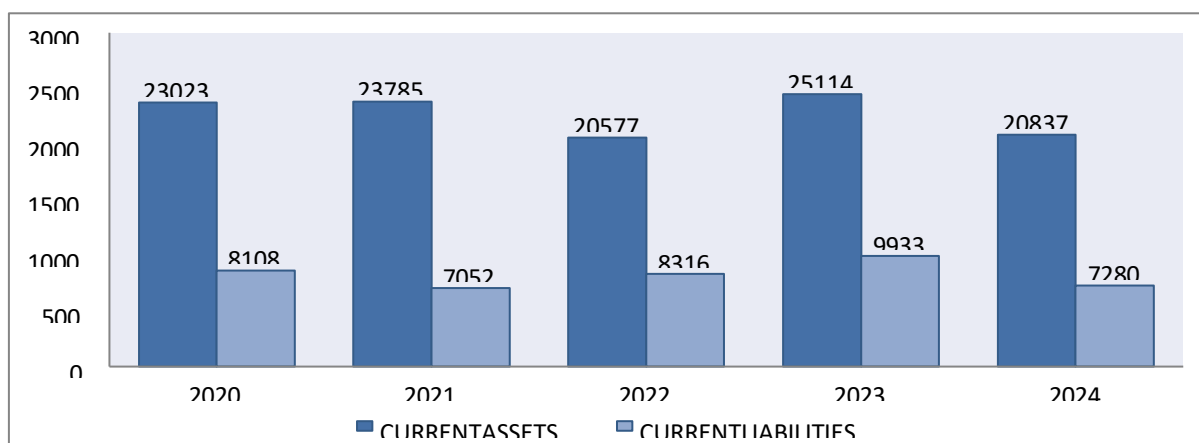
1.2 CURRENT ASSETS VS CURRENT LIABILITIES

YEAR	CURRENT ASSETS	CURRENT LIABILITIES
2020	23023	8108
2021	23785	7052
2022	20577	8316
2023	25114	9933
2024	20837	7280

Source :the balance sheet of Diamond ltd

CHART NO:1.2 CURRENT ASSEST VS CURRENT LIABILITIES

INTERPRETATION:



From the above table and chart inferred that, Current Assets are fluctuating. Whereas Current Liabilities are decreasing from RS.8626 to RS.7280

1.3 TREND ANALYSIS OF WORKING CAPITAL

YEAR	WORKING CAPITAL	TREND ANALYSIS
2020	14915	100
2021	16733	112.18
2022	12261	73.27

2023	15181	123.81
2024	13557	89.3

Source :the balance sheet of Diamond .ltd

INTERPERTATION:

From the above trend analysis showing that it's inferred as base year 2020, the trend analysis for working capital is lowest in year of 2022.

1.4COMPARATIVE BALANCE SHEET AS ON 31st MARCH 2020 & 2021

Particulars	31/3/2020	31/3/2021	Increase/Decrease In 2021 Over 2020
Current assets			
Investment	1521	5247	3726
Inventories	4675	5396	721
Trade receivable	5731	7982	2251
Cash	9883	3829	-6054
Short term loans	950	0.00	-950
Other current assets	263	1331	1068
A=total current assets	23023	23785	762
Current liabilities			
short term borrowing	2255	-----	-2255
Trade payable	3943	4505	562
Other current liabilities	1404	2227	823
Short term provision	506	320	-186
B=TOTAL CURRENT LIABILITIES	8108	7052	-1056
NETWC=(A-B)	14915	16733	1818

Source :the balance sheet of Diamond ltd

INTERPRETATION:

The above table clearly shows the increase in the comparative working capital for the year 2020 to 2021. All the Current assets except investment and cash have decreased in year 2021 as compared to year 2020. The above table focus on the fact that the increase in working capital is RS.1818.

CONCLUSION:

The financial performance analysis of Diamond Engineering Pvt Ltd over the five-year period (2019–2024) demonstrates a robust financial structure with commendable liquidity and solvency positions. The company's current ratio and quick ratio consistently exceeded industry standards, indicating its strong ability to meet short-term obligations. The debt-equity ratio remained low throughout the period, reflecting a conservative capital structure with minimal reliance on external borrowings—an indicator of financial stability and reduced financial risk. Despite some fluctuations in profitability ratios such as net profit margin and gross profit margin, the company maintained overall profitability and improved operational efficiency, particularly in the later years. The trend and comparative balance sheet analysis revealed effective working capital management, with consistent positive net working capital and well-structured current asset allocation.

Moreover, the company's ability to generate returns from its resources, as reflected through efficiency ratios like inventory turnover and fixed assets turnover, suggests sound internal financial controls and strategic utilization of capital assets. This financial discipline positions Diamond Engineering Pvt Ltd for future growth, investment readiness, and sustainability in a competitive global engineering market.

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