

## Investment Management in KMP Industries: A Financial Performance Analysis of the Pump Manufacturing Sector

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### ABSTRACT

This study analyses investment management at KMP Industries, a Tamil Nadu-based submersible pump manufacturer, over five fiscal years (2020-21 to 2024-25) using ratio analysis, trend analysis, comparative balance sheets, and CAGR. Findings reveal strong profitability recovery (net profit ₹386.54 lakhs, 2024-25), complete debt elimination, a current ratio of 2.37, and EPS growth to ₹32.10. The study recommends optimising idle cash, improving working capital turnover, and adopting a balanced active-passive investment strategy

**Keywords:** *Investment Management, Financial Ratios, KMP Industries, Pump Sector, Profitability, Liquidity.*

### INTRODUCTION

Investment analysis is a broad term encompassing multiple methods of evaluating investments, industry sectors, and economic trends. It includes charting past returns to predict future performance, selecting investment types suited to investor needs, and evaluating individual securities for their risks, yield potential, and price movements. Investment management refers to the systematic process of managing money or funds through a defined procedure involving: (i) setting investment policy, (ii) analysis and evaluation of investment vehicles, (iii) formation of a diversified portfolio, (iv) portfolio revision, and (v) measurement and evaluation of portfolio performance. The financial asset differs from a physical asset primarily in divisibility, marketability, and the planned holding period — making financial assets more adaptable to investor strategies.

The Indian pump industry, within which KMP Industries operates, is among the fastest-growing engineering sub-sectors, expanding at a CAGR of approximately 10% — significantly above the global average of 6%. India currently exports pumps to over 100 countries and has achieved near self-sufficiency across major application areas including agriculture, power generation, and industrial processing. KMP Industries, established in 1988 and ISO 9001:2008 certified, manufactures submersible pump sets under the brand 'CELVIN' and serves domestic and international markets.

### REVIEW OF LITERATURE

Vazifehdoost et al. (2020) noted that firms in competitive markets must leverage innovation and knowledge-based trust to manage investment risks effectively. Jones (2022) established that risk and return are inseparable in investment decisions, classifying risk as systematic and non-systematic — critical for portfolio management. Heidarzadeh et al. (2022) argued risk is the fourth factor of production, making pre-investment analysis essential. Parida & Tang (2018) found competition alone insufficient to reduce investment costs, necessitating regulatory awareness. Andreu (2020) showed security selection as the primary driver of fund performance. Goncalves-Pinto (2021) highlighted that internal fund markets may cause managers to deviate from mandates, affecting investor

returns. Nahavandiyani (2023) defined investment as capital formation through deferred consumption, while Shahsavari (2023) linked investment growth to channelling productive activity toward capital goods. Shafaei et al. (2025) emphasised that neoclassical investment theory compares opportunity costs of current and future values in decision-making.

### SCOPE, STATEMENT OF PROBLEM & OBJECTIVES

This study examines KMP Industries' financial performance over 2020-21 to 2024-25, focusing on profitability, liquidity, efficiency, and leverage. The core problem is determining whether the firm's investment decisions optimise capital deployment across fixed assets, working capital, and reserves. Key objectives are: (i) to analyse investment and financial performance using quantitative tools; (ii) to assess the relationship between key financial variables; (iii) to identify investment strengths and weaknesses; and (iv) to provide strategic recommendations aligned with pump industry growth trends.

### LIMITATIONS OF THE STUDY

(i) Study is limited to KMP Industries and may not represent the broader sector. (ii) Relies solely on secondary data from annual reports. (iii) Covers only five years, limiting long-term structural conclusions. (iv) Macroeconomic variables (inflation, FX) are not independently assessed. (v) Qualitative factors such as management quality and brand equity are excluded.

### RESEARCH METHODOLOGY

This study adopts a descriptive research design using secondary data from KMP Industries' audited annual reports (2020-21 to 2024-25). Statistical tools applied: (i) Ratio Analysis — profitability (Gross Profit, Net Profit, Operating), liquidity (Current, Liquid, Cash), activity (Inventory, Debtors, Working Capital Turnover), and leverage (Debt-Equity, Interest Coverage, EPS) ratios; (ii) Trend Analysis — index numbers with 2020-21 as base year (=100) tracking working capital components; (iii) Comparative Balance Sheet Analysis — year-on-year absolute and percentage changes; (iv) CAGR — computed as  $[(\text{Ending Value} / \text{Beginning Value})^{(1/n)} - 1]$  to measure sustained financial trajectory.

### ANALYSIS AND INTERPRETATION

**TABLE 1: Profitability & Liquidity Ratios of KMP Industries (2020-21 to 2024-25)**

Ratio	2020-21	2021-22	2022-23	2023-24	2024-25	↑↓
Gross Profit Ratio (%)	24.06	24.49	16.49	13.51	26.69	↑
Net Profit Ratio (%)	14.34	14.75	12.83	7.61	18.56	↑

Ratio	2020-21	2021-22	2022-23	2023-24	2024-25	↑↓
Operating Ratio	1.25	1.29	1.37	1.30	1.27	↓
Current Ratio	1.26	1.51	1.57	1.60	2.37	↑
Liquid Ratio	0.99	1.11	0.96	1.29	1.83	↑
Cash Ratio	0.63	0.77	0.56	0.82	1.12	↑

Source: Annual Reports of KMP Industries (₹ in Lakhs)

Gross profit ratio peaked at 26.69% in 2024-25 (low: 13.51% in 2023-24), reflecting sales recovery to ₹2,082.53 lakhs. Net profit ratio also recovered strongly to 18.56%. The operating ratio remained stable (~1.27–1.37), indicating consistent cost control. Current ratio improved to 2.37 (above the 2:1 benchmark), liquid ratio to 1.83, and cash ratio to 1.12 — all confirming strong short-term solvency by 2024-25, though the high cash ratio suggests idle liquidity that could be more productively deployed.

**TABLE 2: Efficiency & Leverage Ratios of KMP Industries (2020-21 to 2024-25)**

Ratio	2020-21	2021-22	2022-23	2023-24	2024-25	↑↓
Inventory Turnover	9.07	7.79	3.94	7.71	11.41	↑
Debtors Turnover	14.27	14.79	9.63	14.82	21.20	↑
Working Capital Turnover	10.29	5.50	3.67	5.69	3.42	↓
Interest Coverage (EPS ₹)	23.09	42.08	44.31	63.78	74.24	↑
Earnings Per Share (₹)	15.07	13.85	8.33	8.56	32.10	↑
Debt-Equity Ratio	4.08	0.53	0.30	0.34	0.00	↓

Source: Annual Reports of KMP Industries (₹ in Lakhs)

**TABLE 3: Trend Analysis — Working Capital Components (Base Year 2020-21 = 100)**

Year	Curr. Assets (₹)	Trend %	Curr. Liabilities (₹)	Trend %	Working Capital (₹)	Trend %	Base
2021	620.03	100.00	491.26	100.00	128.77	100.00	*
2022	637.16	102.76	421.96	85.89	215.20	167.12	
2023	583.70	94.14	370.68	75.45	213.02	165.43	
2024	638.35	102.95	400.09	81.44	238.26	185.03	
2025	1052.07	169.67	443.25	90.22	608.82	472.80	

Source: Annual Reports of KMP Industries (₹ in Lakhs)

Working capital expanded to a trend index of 472.80 by 2024-25, driven by current assets growing to ₹1,052.07 lakhs. Current liabilities grew modestly (index: 90.22), confirming improved short-term financial flexibility. The divergence between asset and liability trends underpins the improving current ratio across the study period.

**TABLE 4: Five-Year Financial Summary with CAGR**

Particulars (Lakhs)	(₹)	2020-21	2021-22	2022-23	2023-24	2024-25	CAGR %
Net Sales		1325.24	1183.98	781.79	1354.93	2082.53	+11.97%
Net Profit		190.00	174.60	100.27	103.10	386.54	+19.45%
Total Assets		919.24	1005.09	1105.09	1209.70	1576.29	+14.46%
Net Worth		867.76	998.46	1101.60	1205.60	1576.29	+16.11%
Total Debt		51.48	6.63	3.49	4.10	0.00	—
Working Capital		128.77	215.20	213.02	238.26	608.82	+47.65%

Source: Annual Reports of KMP Industries (₹ in Lakhs)

## FINDINGS

(i) Profitability: Gross profit ratio peaked at 26.69% and net profit at 18.56% in 2024-25 — the highest in the study period — driven by a 275% surge in net profit to ₹386.54 lakhs. (ii) Liquidity: Current ratio of 2.37, liquid ratio of 1.83, and cash ratio of 1.12 all confirm strong solvency, though surplus cash suggests underutilisation of liquid assets. (iii) Efficiency: Inventory turnover reached 11.41 and debtors turnover 21.20 in 2024-25, indicating effective receivables and stock management, while working capital turnover declined due to a larger capital base. (iv) Leverage: Debt-equity ratio fell to zero in 2024-25 — complete debt elimination — with EPS recovering to ₹32.10. (v) Trend: Working capital index reached 472.80 against current liabilities index of 90.22, confirming a significant liquidity buffer. (vi) CAGR: Net sales and net profit grew at 11.97% and 19.45% respectively, well above industry averages.

## SUGGESTIONS

(i) Idle cash (ratio: 1.12) should be channelled into short-term instruments or expansion investments to improve return on assets. (ii) Working capital turnover can be improved by tightening debtor collection cycles and optimising inventory levels. (iii) A passive investment strategy is recommended for reinvestment of retained earnings — holding stable, long-term instruments with low transaction costs. (iv) For expansion capital, active investment management is advisable, targeting mispriced opportunities in automation, bio-pharma pump applications, and energy-efficient technologies aligned with India's infrastructure demand. (v) KMP should evaluate selective use of low-cost debt for capacity expansion, leveraging its debt-free balance sheet to enhance return on equity without materially increasing financial risk.

## CONCLUSION

This study establishes that KMP Industries has demonstrated a robust financial recovery between 2020-21 and 2024-25, characterised by growing profitability, complete debt elimination, strengthening liquidity, and expanding shareholder value. Operating within India's rapidly growing pump sector — projected to support USD 15 trillion in GDP by 2030 — the firm is well-positioned for sustained growth. The findings confirm that sound investment management, disciplined capital allocation, and a balanced active-passive portfolio strategy are essential for KMP to maintain competitiveness in both domestic and international markets. Future research may incorporate primary data and peer benchmarking for a comprehensive comparative analysis.

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