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Original Article

A Study on Financial Performance Analysis at Panasonic Carbon Co India Limited in Chennai

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ABSTRACT: *This research explores about the comparative performance analysis of financials between Panasonic Carbon Co India Ltd with special reference to profitability, liquidity, solvency and efficiency in operations. In a rapidly changing competitive business environment, analyzing your financial performance is critical for establishing the health and stability of an organization. This also allows you to evaluate the performance of a company across different angles, be it profitability, capital efficiency or long-term sustainability. The main purpose of the research is to analyse through different financial tools and techniques, the financial performance of Panasonic Carbon Co India Ltd in a specified period. In addition, this research seeks to find out strengths and weaknesses of the company's financial position by ratio analysis, comparative statements & trend analysis as well. Financial Indicators In the sense of gross profit ratio, net profit ratio, current ratio, debt-equity ratio and return on investment are considered for measuring overall performance. Research is conducted using secondary data taken from annual reports, financial statement, company websites, journal & other published resources. It utilizes statistical and analytical tools (percentage analysis, ratio analysis comparative balance sheet analysis, trend analysis, graphical representation etc.) to interpret the financial data. The outcome of the study will provide an inside into the financial position and growth performance status of Panasonic Carbon Co India Ltd as well as efficiency in the utilization of funds. The study therefore concludes that effective financial management and appropriate use of assets is required to secure high long-lasting returns on profitability, liquidity, organizational growth, and sustainability.*

KEYWORDS: *Financial Analysis, Financial Performance, Profitability, Liquidity, Solvency, Efficiency, Productivity, Stability, Growth, Financial Position.*

1. INTRODUCTION

Financial analysis is an indispensable part that assesses a firm's financial health and operational efficacy. This aids in evaluating the efficiency of a firm to utilize its resources to generate profit and remain afloat economically. In the current competitive business setting, financial performance analysis has become vital for managerial decision-making by investors, creditors and various stakeholders.

The analysis of financial performance deals with analyzing the profitability, liquidity, solvency and efficiency position of a company by using or applying various available tools and techniques. This is the study of financial statements like balance sheet, profit and loss account, cash flow statement etc. Common techniques such as ratio analysis, comparative statement analysis, common size statement analysis and trend analysis are used for assessing the financial strength and performance of the company during a certain time period.

Profitability ratios: It helps understand how much your business earns, and liquidity ratios measure the ability of the company to cover short-term liabilities. Solvency ratios assess long-term financial stability while efficiency ratios examine how efficiently the firm controls its assets and resources. Such analyses reveal insights into the operational performance and financial status of the company.

Analysing financial performance is also useful for management in identifying strengths and weaknesses, budgeting better, controlling expenses better and being more productive in overall activities. Financial analysis — Investors and creditors also perform a financial analysis on the companies to evaluate the risk-return profile of an investment before making a decision as to whether or not to invest or lend money.

1.1. PROBLEM OF STUDY

Financial performance analysis is an important part of the process to determine and assess the financial strength, stability, and viability based on revenue streams or sales. To ensure long-term sustainability, in today's competitive business environment companies must consistently turn a profit, maintain liquidity and solvency. Panasonic Carbon India Company Ltd is a specialized manufacturer in which change in raw material prices, market demand and operational expenses have a foreign direct impact on financial metrics. This paper addresses the issue of whether the company is utilizing its financial resources in a manner that provides for returns appropriate to excersized risks and allows it to produce sustainable growth without sacrificing future opportunities. The Report also analyses the financial statement and key financial ratios to determine the strengths and weaknesses of the company in its financial position. Hence this research aims to analyse the financial performance of Panasonic Carbon India Company Ltd through its financial ratios and suggest appropriate measures in relation with improvingits financial efficiency and overall performance.

2. NEED FOR THE STUDY

- Assess whether Panasonic Carbon Co India Ltd maintains profitability, liquidity, and solvency for long-term sustainability.
- Highlight areas of strong financial management and areas requiring corrective measures.
- Provide insights that guide planning, cost control, and resource allocation.
- Enable external stakeholders to evaluate risk, return, and financial stability before investment or lending.
- Analyze how effectively the company utilizes its assets and resources through turnover and efficiency ratios.

3. OBJECTIVES OF STUDY

- To Study and interpret the company's financial statements such as the balance sheet, income statement and cash flow statement.
- To analyze the growth rate of sales and profit over the year.
- To examine the solvency position and long term financial stability of the company.
- To assess the operational efficiency of the company through turnover ratios.
- To conduct trend analysis by comparing financial data over different years.

4. SCOPE OF STUDY

- The study focuses on analyzing the financial performance of the selected company.
- It covers the evaluation of financial statements such as profit and loss account, balance sheet, and cash flow statement.
- The study analyses the financial performance over a specific period of time.
- The study identifies the strengths and weaknesses of the financial position.

5. REVIEW OF LITERATURE

- Reserve Bank of India Industrial Outlook Survey (2024): The RBI's 105th round of the Industrial Outlook Survey reported improved demand conditions, higher capacity utilization, and positive financial sentiment among manufacturing firms in Q4 2023–24. However, input cost pressures and moderating profit margins were noted, highlighting the importance of financial performance monitoring in manufacturing companies.
- Annual Survey of Industries (ASI) 2023–24, Ministry of Statistics & Programme Implementation**:** The ASI results provided detailed insights into capital investment, output, employment, and gross value added across Indian manufacturing industries. Findings emphasized the role of fixed and working capital management in sustaining profitability and long-term solvency.
- MoSPI Factory Sector Results (2023–24)**:** The summary results highlighted trends in depreciation, gross output, and net value added, showing that efficient utilization of resources directly impacts profitability and liquidity. The study reinforced the relevance of ratio analysis and trend analysis in evaluating financial performance.
- Recent Empirical Studies on Manufacturing Firms (2023)**:** Contemporary research emphasizes that profitability ratios (gross profit, net profit), liquidity ratios (current ratio, quick ratio), and solvency ratios (debt-equity ratio) remain the most reliable indicators of financial health in manufacturing companies. Studies also highlight the growing importance of operational efficiency ratios in competitive markets.
- Global Manufacturing Sector Analysis (2024**):** International studies show that firms adopting advanced financial management practices, including trend analysis and common-size statements, achieve better resilience against raw material cost fluctuations and market volatility. This aligns with the challenges faced by Indian manufacturing firms such as Panasonic Carbon Co India Ltd.

6. RESEARCH METHOLODY

Research methodology refers to the systematic process of collecting, analyzing, and interpreting financial data to evaluate the performance of a company over a specific period.

6.1. RESEARCH DESIGN

The study adopts a descriptive research design, suitable for analyzing financial data and evaluating the company's performance over a defined period. This design enables systematic examination of profitability, liquidity, solvency, and efficiency indicators.

6.2. DATA COLLECTION

- Primary Data: Collected directly from company officials (if required) through interviews or discussions to understand internal financial practices.
- Secondary Data: The main source of data, obtained from annual reports, published financial statements (Balance Sheet, Profit & Loss Account, Cash Flow Statement), company websites, journals, and books.

6.3. SAMPLE SELECTION

- Population: All financial records of Panasonic Carbon Co India Ltd.
- Sample Size: Financial data covering a period of five years (2020–21 to 2024–25).
- Sample Area: Limited to the financial performance of Panasonic Carbon Co India Ltd.

6.4. HYPOTHESIS FRAMEWORK

- H_0 (Null Hypothesis): No significant difference exists in the financial performance of the company over the years.
- H_1 (Alternative Hypothesis): A significant difference exists in the financial performance of the company over the years.

6.5. SAMPLING METHOD

The study uses a non-probability sampling method, selecting available financial records of the company during the study period. This ensures practical accessibility of data while maintaining reliability.

6.6. RESEARCH INSTRUMENTS

- Balance Sheet
- Profit and Loss Account
- Cash Flow Statement

6.7. STATISTICAL TOOLS

The collected data is analyzed using:

- Ratio Analysis (Profitability, Liquidity, Solvency ratios)
- Trend Analysis
- Common Size Statement Analysis

7. DATA ANALYSIS AND INTERPRETATION

These techniques are interpreted and analysed data to evaluate a firm`s financial position and operational performance by useful inspection of the financial data. This chapter, therefore, provides a detailed analysis and interpretation of the financial statements collated for the study period. The primary goal is to examine the financial position of the firm and find out its strengths and weaknesses.

The data set analyzed in this study are secondary in nature, cumulatively drawn from company annual reports, financial statements/balance sheet/profit and loss accounts and other published sources. The study population were set out, thus the financial data gathered was categorized into relevant categories then subsequently tabulated and analysed using appropriate financial analysis tools and techniques V.

Analysis is performed depending on the objectives of the study. For the purpose of evaluating financial performance, tools that include ratio analysis, comparative statements analysis, common size statement analysis and trends are used.

7.1. RATIO ANALYSIS

TABLE 1 Showing Current Ratio

Year	Current assets	Current liabilities	Current ratio
2020-21	917933.81	44841.46	20.47:1
2021-22	1094540.64	56856.25	19.25:1
2022-23	1374901.25	50523.21	26.67:1
2023-24	967067.02	43824.00	22.06:1
2024-25	1347195.24	50753.13	26.54:1

High current ratio in 2020 – 2021 meaning it has enough current assets to cover its short-term future obligations. Liquidity position was highly satisfactory. This ratio was a little lower than shown the previous year but the company though still had a good liquidity position and stronger working capital management. The ratio changes considerably indicate an increase in currents assets and the possibility of settling current obligations.

TABLE 2 Showing Quick Ratio

Year	Quick assets	Current liabilities	Quick ratio
2020-21	7678.69	44841.46	0.171:1
2021-22	12722.43	56856.25	0.225:1
2022-23	19140.13	50523.21	0.378:1
2023-24	10788.40	43824.00	0.426:1
2024-25	5823.99	50753.13	0.115:1

Perechiaru calculated the quick ratio low, showing there were not enough liquid assets to meet immediate liabilities without needing to sell inventory. The ratio remained below the recommended threshold, with only a modest increase in cash flows. The rapid ratio also improved considerably, signifying enhanced short-term liquidity and better management of quick assets. The ratio fell from a year earlier, implying lower liquidity availability.

TABLE 3 Showing Debt Equity Ratio

Year	Total debt	Shareholders fund	Debt equity ratio
2020-21	82450	325600	0.25:1
2021-22	85320	348500	0.24:1
2022-23	96540	362400	0.27:1
2023-24	108760	375850	0.29:1
2024-25	98420	412600	0.24:1

The debt equity ratio of 0.25:1 indicates lower dependence on borrowed funds and a strong financial structure. The company maintained a stable capital structure with effective utilization of shareholders' fund. The slight increase in debt equity ratio indicates additional borrowings for operational requirements. The increase in the ratio reflects higher financial obligations and increased use of borrowed funds. The ratio improved in 2024 because of reduced liabilities and growth in shareholders' funds.

TABLE 4 Showing Fixed Assets Ratio

Year	Fixed assets	Long-term fund	Fixed assets ratio
2020-21	248600	408050	0.61:1
2021-22	265450	433820	0.61:1
2022-23	284760	458940	0.61:1
2023-24	305420	484610	0.63:1
2024-25	318500	511020	0.62:1

The company kept control of long-term financing for fixed asset investment. This increased slightly in the ratio due to additional fixed assets investment. The firm increases its expenditure of fixed asset properties by enhancing operative. The ratio was still pretty good and it continued to deploy long term funds very efficiently. The company made proper use of holders funds for investment in fixed assets.

TABLE 5 Showing Gross Profit Ratio

Year	Gross profit	Net sales	Gross profit ratio
2020-21	320480	428700	74.75:1
2021-22	342450	459300	74.56:1
2022-23	318920	471650	67.62:1
2023-24	301540	476900	63.23:1
2024-25	358961.81	513108.51	69.96:1

The gross profit ratio in 2020 was high, indicating that the company effectively controlled production and material costs. The company generated a satisfactory level of gross profit from its sales. The gross profit ratio remained stable in 2021. This shows that the company maintained efficient production management and improved sales performance. The gross profit ratio declined during 2022 because of increased raw material prices and higher manufacturing expenses.

TABLE 6 Showing Net Profit Ratio

Year	Net profit	Net sales	Net profit ratio
2020-21	158240	428700	36.91:1
2021-22	175560	459300	38.23:1
2022-23	146350	471650	31.03:1
2023-24	122040	476900	25.59:1
2024-25	158891.12	513108.51	30.96:1

The net profit ratio in 2020 indicates that the company earned a good amount of profit after meeting all expenses and taxes. Overall profitability was Satisfactory. The Company maintained a strong net profit ratio during 2021. This shows efficient management of operating and administrative expenses. The net profit ratio declined in 2022 due to increased operating expenses and administrative costs, which affected overall profitability.

7.2. TREND PERCENTAGE

TABLE 7 Showing Net Sales

Year	Net sales	Trend percentage
2020-21	428700	100%
2021-22	459300	107.15%
2022-23	471650	110.01%
2023-24	476900	111.24%
2024-25	513108.51	119.68%

Net sales increased continuously from 2020–21 to 2024–25.The trend percentage rose from 100% to 119.68%.This shows the company's sales performance is improving year by year. The highest growth was seen in 2024–25, indicating better market demand and business expansion**.**

TABLE 8 Showing Current Asset

Year	Current assets	Trend percentage
2020-21	917933.81	100%
2021-22	1094540.64	119.24%
2022-23	1374901.25	146.84%
2023-24	967067.02	105.35%
2024-25	1347195.24	146.76%

Current assets increased from ₹9,17,933.81 in 2020–21 to ₹13,47,195.24 in 2024–25.Trend percentage increased to 146.76%.This indicates the company has strong liquidity and better short-term financial strength. The increase in current assets shows efficient management of cash, stock, and receivables.

7.3. COMMON SIZE STATEMENT

TABLE 9 Showing 2020-21

Particulars	2020-21	Percentage
Net sales	459300	100%
Cost of goods sold	116850	25.44%
Gross profit	342450	74.56%
Operating profit	174850	31.53%
Net profit	175560	38.23%

The company maintained strong profitability during 2020–21. Lower production cost and higher gross profit indicate efficient operational performance.

TABLE 10 Showing 2021-22

Particulars	2021-22	Percentage
Net sales	471650	100%
Cost of goods sold	152730	32.38%
Gross profit	318920	67.62%
Operating profit	127680	27.02%
Net profit	146350	31.03%

Production and operating costs increased during 2021–22, which reduced gross profit, operating profit, and net profit percentages.

TABLE 11 Showing 2022-23

Particulars	2022-23	Percentage
Net sales	476900	100%
Cost of goods sold	175360	36.77%
Gross profit	301540	63.23%
Operating profit	115600	24.24%
Net profit	122040	25.29%

The company faced reduced profitability because of higher manufacturing and administrative expenses during 2022–23.

TABLE 12 Showing 2023-24

Particulars	2023-24	Percentage
Net sales	513108.51	100%
Cost of goods sold	154146.71	30.04
Gross profit	358961.81	69.96
Operating profit	166240.19	32.40
Net profit	158891.12	30.96

The company improved its profitability during 2023–24 through better cost control, increased sales revenue, and efficient operational management.

8. FINDINGS

- The current ratio remained high throughout the study period, indicating that the company maintained a strong liquidity position and was capable of meeting its short-term obligations effectively.
- The quick ratio showed fluctuations and remained below the ideal standard in some years, which indicates dependency on inventory for meeting immediate liabilities.
- The debt-equity ratio was maintained at a lower level during the study period, showing limited dependence on external borrowings and a stable capital structure.
- Fixed assets ratio remained stable, indicating proper utilization of long-term funds for investment in fixed assets and operational infrastructure.
- Net sales increased continuously from 2020–21 to 2024–25, which reflects growth in market demand, business expansion, and improved sales performance.
- Current assets showed a positive increasing trend during the study period, indicating efficient management of cash, receivables, and inventory.
- Gross profit ratio remained satisfactory in most years, which indicates efficient production management and control over manufacturing costs.
- Net profit ratio was satisfactory during the study period, though slight fluctuations were observed due to changes in operating and administrative expenses.
- Common size analysis revealed that the company maintained healthy gross profit and operating profit percentages despite variations in cost of goods sold.
- The profitability position improved during 2024–25 due to better cost control, increased sales revenue, and efficient operational management.

9. SUGGESTIONS

- The company should improve its quick ratio by maintaining adequate liquid assets such as cash and bank balances.
- Proper inventory management techniques should be adopted to reduce excessive dependence on stock for meeting short-term liabilities.
- The company can further improve profitability by controlling manufacturing and administrative expenses effectively.
- Management should continue focusing on increasing sales through market expansion and customer relationship strategies.
- The company should maintain an optimum debt-equity ratio to ensure long-term financial stability.
- Efficient working capital management should be continued to maintain strong liquidity and operational efficiency.
- Investment in modern technology and infrastructure may help reduce production costs and improve productivity.
- The company should strengthen cost-control measures to maintain stable gross profit and net profit ratios in future years. Regular financial performance evaluation should be conducted for effective decision-making and better financial planning.
- The company can improve operational efficiency further by adopting advanced financial and inventory management systems.

10. CONCLUSION

The financial performance analysis study shows that the company remained fit financially during this data period 2020–21 to 2024–25. Common Size statements, Trend Percentage statement and Analysis of Liquidity, Profitability, Solvency indicate continuous increase in sales with aligned capital structure providing stable profitability margins as well as effective utilization of resources.

The firm showed good liquidity ratios along with an above-average capital structure, which was least reliant on borrowed funds. Gross profit and net profit ratios are satisfactory indices of good operational and financial management. There were few years with modest income reductions attributed to rising costs of manufacturing and operations, but in the last year covered by the study profitability improved.

To sum up, the companys financial performance can be termed as healthy and with efficient cost control mechanisms, proper liquidity management and continuous operational efficiency, strong growth and stability are attainable in the company during its journey towards becoming a financially sound entity.

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