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A Comprehensive Study On The Financial Performance Of Saraswathi & Co

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Abstract: This project analyzes the financial performance of Saraswathi & Co, a dried coconut trading business based in Coimbatore, Tamil Nadu. The study aims to evaluate the company's liquidity, profitability, solvency, and operational efficiency using financial ratio analysis and common-size balance sheets over a five-year period (2019-2024). The findings reveal fluctuating liquidity ratios, a consistent decline in profitability margins despite substantial sales growth, and increasing reliance on debt financing. Efficiency ratios indicate improved capital and asset turnover in recent years. The study highlights the importance of effective financial management in sustaining profitability and operational stability in the competitive coconut trading industry.

***Index Terms* -** Financial Performance, Ratio Analysis, Coconut Trading, Debt Financing, Financial Management.

I. Introduction

The dried coconut trading business, commonly known as copra trade, is a vital segment of the agricultural commodities market, especially in tropical countries like India. Copra serves as a primary raw material for industries such as food, cosmetics, pharmaceuticals, and biofuels. With growing global demand for coconut-based products, the trade offers significant opportunities for entrepreneurs. This study focuses on Saraswathi & Co, a leading dried coconut trading company in Coimbatore, Tamil Nadu. The project evaluates the company's financial health over five years through liquidity, profitability, solvency, and operational efficiency analysis. The aim is to provide insights for better financial management and sustainable business growth.

II. STATEMENT OF THE PROBLEM

Finance plays a crucial role in the success and sustainability of any enterprise, including trading businesses. Efficient financial management is essential to procure, allocate, and control funds for operations and growth. Saraswathi & Co requires a systematic financial analysis to assess its profitability, liquidity, and solvency over time. Without proper financial evaluation, the firm may face challenges in resource utilization, debt management, and operational efficiency. This study addresses the need to analyze the financial performance of Saraswathi & Co to support informed business decisions.

III. SCOPE OF THE STUDY

Financial statement helps the management to analyze profit, solvency liquidity and efficiency etc. This analysis will present a complete picture of the business. Using trend analysis, compare present performance to past conditions. To determine how well a company is operating, compare it to peer companies or industry averages

IV. OBJECTIVE OF THE STUDY

- To analyze the financial performance of Saraswathi & Co
- To Observe and analyze the operational efficiency of Saraswathi & Co
- To evaluate the solvency, profitability and liquidity of Saraswathi & Co

V. RESEARCH METHODOLOGY

Methodology is a strictly defined combination of practices regarding logic, methods and processes that determine how best to plan, develop and control a project along the continuous process of its implementation and successful completion. It refers to the discussion regarding methods chosen and used in research.

SOURCE OF DATA

Collection of data is essential part for research. The nature of data which is collected and used for this research is Secondary in nature.

VI. PERIOD OF THE STUDY

The required Secondary data for the study were collected from the financial statements of the Saraswathi & Co and from their annual reports for the period 5 years (2019-2020 to 2023-2024)

VII. TOOLS AND TECHNIQUES

- Profitability ratios.
- Liquidity ratios
- Solvency ratios.
- Common-Size Balance Sheet.

VIII. REVIEW OF LITERATURE

Mishra & Singh (2021) This study examines the financial viability of organic and chemical fertilizers in coconut plantations, offering insights into the comparative economic performance of different fertilizer types.
Sharma & Patel (2020) This study conducts a comparative analysis of cost-effectiveness between organic and conventional fertilizer application in coconut orchards, providing valuable insights for optimizing fertilizer use in coconut farming.

IX. DATA ANALYSIS AND INTERPRETATION

RATIO ANLAYSIS

LIQUIDITY RATIO

Table No 9.1 Liquidity Ratio of Saraswathi & Co

FINANCIAL YEARS	CURRENT RATIO	CASH RATIO
2019-2020	54.1	47.05
2020-2021	1.71	0.11
2021-2022	2.61	1.53
2022-2023	1.67	1.1
2023-2024	62.18	59.03

Interpretation:

The company's Current Ratio shows extreme fluctuations, with unusually high values in 2019–2020 (54.1) and 2023–2024 (62.18), suggesting potential data anomalies or large current asset holdings. In the other years, the ratio ranged between 1.67 and 2.61, indicating a generally healthy short-term liquidity position. The Cash Ratio also mirrored this pattern, peaking in the same years and remaining modest otherwise. These inconsistencies suggest the need for deeper analysis into the company's current assets and cash management practices.

PROFITABILITY RATIO

Table No 9.2 Profitability Ratio of Saraswathi & Co

Financial Years	Gross Profit Ratio	Operating Ratio	Operating Profit Ratio	Net Profit Ratio	Expense Ratio	COGS Ratio
2019-2020	67.87%	99.73%	41.59%	41.29%	26.57%	73.46%
2020-2021	23.34%	22.74%	8.31%	8.28%	15.11%	7.65%
2021-2022	14.02%	92.06%	7.94%	7.92%	6.10%	85.97%
2022-2023	13.28%	93.49%	6.51%	6.49%	6.78%	86.72%
2023-2024	1.76%	99.64%	0.35%	0.36%	1.40%	98.24%

Interpretation:

The company's profitability ratios show a sharp decline over the five-year period. The Gross Profit Ratio dropped from 67.87% in 2019–2020 to just 1.76% in 2023–2024, while the Net Profit Ratio also fell from 41.29% to 0.36%, indicating a significant erosion in profitability. The Operating Ratio remained high in most years, especially in 2023–2024 at 99.64%, suggesting rising costs or falling revenues. Increasing COGS Ratio and decreasing Operating Profit Ratio further reflect pressure on margins. The trend indicates a need for better cost control and revenue optimization to restore profitability

X. SUGGESTION

- Identify key cost drivers and implement strategies to reduce unnecessary expenses, focusing on controlling high operating and COGS ratios.
- Explore opportunities to enhance profit margins through cost optimization, introducing higher-margin products, and improving pricing models.
- Consider restructuring debt or seeking equity infusion to address the rising debt-toequity ratio and improve financial stability.
- Continue improving asset utilization to generate higher sales by evaluating and optimizing the performance of underutilized assets.
- Reduce reliance on debt by considering asset monetization or refinancing existing loans at favourable interest rates.

XI. FINDINGS

LIQUIDITY RATIOS

- **Current Ratio**: The company's liquidity position was extremely high in 2019-20 and 2023-24 (54.1 and 62.18), indicating inefficient resource utilization.
- **Quick Ratio**: The quick ratio fluctuated significantly, being exceptionally high in 2019-20 and 2023-24 (47.05 and 59.03), indicating underutilized resources, while critically low in 2020-21 (0.11), signalling liquidity issues.

PROFITABILITY RATIOS

- **Gross Profit Ratio**: The gross profit ratio declined sharply from 67.87% in 2019-20 to 1.76% in 2023-24, indicating rising costs or reduced pricing power despite substantial sales growth.
- **Operating Ratio**: Fluctuates significantly, peaking in 2019-2020 and 2023-2024, indicating high expenses relative to revenue.
- **Operating Profit Ratio**: Steady decline over the years, dropping sharply to 0.35% in 2023-2024, indicating minimal profits.
- **Net Profit Ratio**: Sharp decline, reaching 0.36% in 2023-2024, indicating very thin margins.
- **Expenses Ratio**: Decreases steadily, showing improved cost efficiency, reaching a low 1.40% in 2023-2024.
- **COGS Ratio**: Fluctuates but rises to 98.24% in 2023-2024, leaving minimal room for profit.

SOLVENCY RATIOS

- **Debt-to-Equity Ratio**: Peaks at 6.28 in 2020-2021, indicating high debt reliance, but remains high in 2023-2024.
- **Proprietary Ratio**: Declines over time, showing increasing reliance on external financing.
- **Debt-to-Asset Ratio**: Increases sharply, reaching 0.76 in 2023-2024, indicating higher debt usage.

XII. CONCLUSION

The financial performance analysis of Saraswathi & Co reveals notable fluctuations in liquidity, profitability, and solvency over the five-year period. While liquidity ratios showed extreme highs and lows, profitability ratios consistently declined, indicating pressure on profit margins despite growing sales. The company's increasing reliance on debt is reflected in its solvency ratios, signalling a need for better financial structuring. However, efficiency ratios like capital employed turnover and total asset turnover improved, showing better asset utilization. The common-size balance sheet highlighted rising current liabilities and reduced proprietor's capital. Overall, the study emphasizes the importance of effective cost management and balanced financial planning for sustainable growth. Strategic improvements in financial control and debt management are recommended for long-term business stability.

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