# A STUDY ON THE FINANCIAL HEALTH AND OPERATIONAL EFFICIENCY OF ESQUIRE COMPANY FOR THE YEAR 2022-23

**Project Report**

**Submitted by**


**AMRUTHA NAIR: (SB21ACOM010)**

**ABHIRAMI PRADEEP: (SB21ACOM001)**

**KARTHIKA BIJU: (SB21ACOM027)**

**Under the guidance of**

**Smt. MAYA P**


**In partial fulfillment of the requirement for the Degree of**

**BACHELOR OF COMMERCE**


**ST. TERESA'S COLLEGE**

**ST. TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM**

**COLLEGE WITH POTENTIAL FOR EXCELLENCE**

**Nationally Re-Accredited with A++ Grade**

**Affiliated to**

**Mahatma Gandhi University**

**Kottayam-686560**


**March 2024**

**ST. TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM**

**COLLEGE WITH POTENTIAL FOR EXCELLENCE**

**Nationally Re-Accredited with A++ Grade**

# CERTIFICATE

This is to certify that the project titled **"A Study on the Financial health and operational efficiency of Esquire company for the year 2022-23"** submitted to Mahatma Gandhi University in partial fulfillment of the requirement for the award of Degree of Bachelor of Commerce is a record of the original work done by **Ms. Amrutha Nair, Ms. Abhirami Pradeep** and **Ms. Karthika Biju**, under my supervision and guidance during the academic year 2021-22.

**Project Guide**

| | |
|---|---|
| **Smt. Maya P** | **Smt. Jini Justin D'Costa** |
| **Assistant Professor** | **(Head of Department)** |
| **Department of Commerce (SF)** | **Department of Commerce (SF)** |

**Viva Voce Examination held on….**

**External Examiner**

ESQUIRE
An ISO 9001:2015 Company

"Tomorrow's IT solution Today !
ESQUIRE Thinks Ahead"

ESQUIRE house, Mannath lane,
Thrissur 1, Kerala
Ph : 0487 23330931 (5 Lines)
GSTIN / UIN: 32AISPP9014F1Z4
ESQUIRE ASSOCIATES
BANK : HDFC
BRANCH : Palace road
A/C N.O : 00572560001065
IFSC : HDFC0000057
BRANCH CODE : 57

**TO WHOMSOEVER IT MAY CONCERN**

This is to certify that 1) Ms.Amrutha Nair 2) Ms.Abhirami Pradeep 3) Ms.Karthika Biju as a group have undergone a project on 'Study on the financial health and operational efficiency of Esquire Associates'. The period of the project was between 01/01/2024 to 28/02/2024 and this is in partial fulfilment of the requirement for the award of Bachelor of Commerce.

The group has shown keen interest in learning and was very positive in their approach towards the completion of their project. We wish them all success in their future endeavours.

ESQUIRE Associates M. G. Road Mannath Lane Thrissur-1 Ph: 0487 2330931 Esquire House 25/716/2

**P.Sureshkumar**
Proprietor
02/04/2024

# DECLARATION

We, **Amrutha Nair, Abhirami Pradeep** and **Karthika Biju**, Department of Commerce (SF), St. Teresa's College (Autonomous) do hereby declare that the project report entitled "**Study on financial health and operational efficiency of Esquire company for the year 2022-23**" submitted to Mahatma Gandhi University is a bonafide record of the work done under the supervision and guidance of **Smt . Maya P**, Assistant Professor of Department of Commerce (SF), St. Teresa's College (Autonomous) and this work done has not previously formed the basis for the award of any academic qualification, fellowship, or other similar title of any other university or board.

**PLACE: ERNAKULAM** **AMRUTHA NAIR**

**DATE:** **ABHIRAMI PRADEEP**

**KARTHIKA BIJU**

# ACKNOWLEDGEMENT

First of all, we are grateful to God Almighty for his blessings showered upon me for the successful completion of our project.

It is our privilege to place a word of gratitude to all persons who have helped us in the successful completion of the project.

We are grateful to our guide **Smt. Maya P ,** Department of Commerce (SF) of St. Teresa’s College (Autonomous), Ernakulam for her valuable guidance and encouragement for completing this work.

We would like to acknowledge **Dr. Alphonsa Vijaya Joseph,** Principal, of St. Teresa’s College (Autonomous), Ernakulam for providing necessary encouragement and infrastructure facilities.

We would like to thank **Smt. Jini Justin D’Costa,** Head of the Department, for her assistance and support throughout the course of this study and for the completion of the project.

We will remain always indebted to our family and friends who have helped us in the completion of this project

Last but not the least, we would also like to thank the respondents who have helped us to provide the necessary information for our study.

**AMRUTHA NAIR**

**ABHIRAMI PRADEEP**

**KARTHIKA BIJU**

# CONTENTS

# LIST OF FIGURES

# CHAPTER – I

# INTRODUCTION

In today's dynamic business environment, understanding the financial health and performance of a company is paramount for investors, stakeholders, and decision-makers alike. Financial analysis serves as the compass guiding strategic decisions, risk assessments, and potential investments. In this report, we delve into the intricate world of Esquire company’s, dissecting its financial statements to unearth insights, trends, and opportunities.

As we embark on this journey, our objectives are clear: to provide a comprehensive evaluation of Esquire company’s financial position, profitability, liquidity, efficiency, and solvency. Through meticulous examination and robust analysis, we aim to paint a vivid picture of the company's financial performance, unveiling its strengths, weaknesses, and areas of improvement.

From dissecting income statements and balance sheets to scrutinizing cash flow statements and key financial ratios, each component contributes to a holistic understanding of [Company Name]'s financial standing. Moreover, we'll explore industry benchmarks, market dynamics, and macroeconomic factors to contextualize our findings and provide actionable insights.

## 1.1 SIGNIFICANCE OF THE STUDY

Financial analysis of a company holds significant importance for various stakeholders:

**1. Investors**:

Investors rely on financial analysis to assess the company's financial health and performance. It helps them make informed decisions about buying, holding, or selling stocks or bonds.

**2. Management**:

Company executives use financial analysis to evaluate the effectiveness of their strategies and operations. It helps them identify areas of improvement and make informed decisions to enhance profitability and efficiency.

**3. Creditors:**

Lenders and creditors use financial analysis to evaluate the creditworthiness of a company before extending loans or credit. It helps them assess the company's ability to repay its debts on time.

**4. Suppliers and Customers:**

Suppliers may use financial analysis to assess the financial stability of their customers, while customers may use it to evaluate the long-term viability of their suppliers. This can impact their decisions regarding contracts and partnerships.

**5. Regulators and Government Agencies:**

Regulatory bodies and government agencies use financial analysis to ensure compliance with financial reporting standards and regulations. It helps them monitor the financial health of companies and detect any irregularities or fraud.

**6.Competitors:**

Competitors may conduct financial analysis to benchmark their performance against industry peers and identify areas where they can gain a competitive advantage.

Overall, financial analysis provides valuable insights into a company's financial performance, liquidity, solvency, and efficiency, helping stakeholders make informed decisions and mitigate risks.

## 1.2 STATEMENT OF THE PROBLEM

In an increasingly complex and dynamic business environment, accurately assessing the financial health and performance of a company is paramount for stakeholders to make informed decisions. However, amidst the abundance of financial data and varying methodologies for analysis, there exists a challenge in effectively identifying and interpreting the key financial indicators that truly reflect the company's performance and prospects. Furthermore, with the ever-evolving regulatory landscape and market conditions, there is a need to continuously adapt financial analysis frameworks and tools to ensure relevance and accuracy. Therefore, the problem statement revolves around the need to develop a robust and adaptable financial analysis framework that can provide stakeholders with accurate, timely, and actionable insights into the company's financial condition, thereby facilitating informed decision-making and mitigating

## 1.3 OBJECTIVES OF THE STUDY

1. To understand the financial performance of the firm during the year 2022-2023.
2. To suggest different ways for improving the firm's financial stability and performance
3. To identify the strength and weakness of the firm's financial policy and procedure

## 1.4 SCOPE OF THE STUDY

The scope of a financial analysis of a company typically includes:

Financial Statements: Analysis of the company's income statement, balance sheet, and cash flow statement to evaluate its financial performance over a specific period.

Financial Ratios: Calculation and interpretation of key financial ratios such as profitability ratios, liquidity ratios, solvency ratios, and efficiency ratios to assess various aspects of the company's financial health.

Industry Comparison: Benchmarking the company's financial performance against industry peers to identify its competitive position and relative strengths and weaknesses.

Trend Analysis: Examination of financial trends over multiple periods to identify patterns, potential areas of improvement, and emerging opportunities or risks.

Forecasting: Projection of future financial performance based on historical data, industry trends, and economic indicators to support strategic decision-making and planning.

Risk Assessment: Identification and evaluation of financial risks such as market risk, credit risk, operational risk, and liquidity risk to mitigate potential threats to the company's financial stability.

Capital Structure Analysis: Assessment of the company's capital structure, including its debt-to-equity ratio, cost of capital, and optimal capital allocation to optimize financial leverage and shareholder value.

Stakeholder Communication: Presentation of financial analysis findings and recommendations to various stakeholders, including investors, management, creditors, regulators, and other relevant parties, to facilitate transparent and effective communication.

The scope of financial analysis may vary depending on the specific objectives of the analysis, the industry and market dynamics, and the availability of data and resources. However, these key components provide a comprehensive framework for evaluating and understanding the financial performance and prospects of a company.

## 1.5 RESEARCH METHODOLOGY OF THE STUDY

1. Type of research design: The study is descriptive in nature.

2. Collection of data: Both primary and secondary data were used for data collection

3. Primary data: They were collected by conducting surveys through the distribution of questionnaires using google forms.

4. Secondary data: They were collected from published sources like websites, journals etc.

5. Sampling designs: A convenient random sampling was used to analyze the objectives of the study.

## 1.6 LIMITATION OF THE STUDY

Financial analysis, while valuable, has several limitations:

1. Historical Data: Financial analysis primarily relies on historical financial data, which may not fully reflect current or future market condition

2. Accounting Standards and Methods: Differences in accounting standards and methods used by companies can make it challenging to compare financial data accurately across companies or industries.

3. Data is limited due to time constraints.

# CHAPTER - II

# REVIEW OF LITERATURE

## 2.1 STEPHEN H PENMAN (2023):

"Financial Statement Analysis and Security Valuation" by Stephen H. Penman: Penman's work is highly regarded for its comprehensive approach to financial analysis, emphasizing the integration of accounting, finance, and economics principles.

## 2.2 HOWARD M SCHILIT AND JEREMY PERLER (2022):

"Financial Shenanigans: How to Detect Accounting Gimmicks & Fraud in Financial Reports" by Howard M. Schilit and Jeremy Perler: While not solely focused on financial analysis, this book offers crucial insights into recognizing red flags in financial statements, which is essential for conducting a thorough analysis.

## 2.3 BENJAMIN GRAHAM (2021):

"The Intelligent Investor" by Benjamin Graham: Although not specifically about financial analysis, Graham's principles of value investing are fundamental for understanding how to analyze companies from a financial perspective.

## 2.4 RICHARD A, DEFUSCO, DENNIS W, JERALD E. PINTO AND DAVID E. RUNKLE (2020):

"Quantitative Investment Analysis" by Richard A. DeFusco, Dennis W. McLeavey, Jerald E. Pinto, and David E. Runkle: This book provides a comprehensive overview of quantitative methods used in investment management, including financial analysis techniques.

## 2.5 BENJAMIN GRAHIM AND DAVID DODD (2019):

"Security Analysis" by Benjamin Graham and David Dodd: Considered a classic in the field of financial analysis, this book lays out the principles of value investing and provides insights into analyzing securities.

## 2.6 PAUL PIGNATARO (2018):

"Financial Modeling and Valuation: A Practical Guide to Investment Banking and Private Equity" by Paul Pignataro: This book offers practical guidance on financial modeling techniques and valuation methodologies used in investment banking and private equity, which are crucial aspects of financial analysis.

## 2.7 STEPHEN H PENMAN (2017):

"Accounting for Value" by Stephen H. Penman: Another notable work by Penman, this book emphasizes the importance of understanding accounting principles for assessing a company's value.

## 2.8 MARTIN S FRIDSON AND FERNANDO ALVAREZ (2016) :

"Financial Statement Analysis: A Practitioner's Guide" by Martin S. Fridson and Fernando Alvarez: This book provides a practical approach to financial statement analysis, focusing on how to interpret financial statements and make investment decisions

## 2.9 ASWATH DAMODARAN (2015) :

"The Little Book of Valuation: How to Value a Company, Pick a Stock and Profit" by Aswath Damodaran: Damodaran's book offers insights into valuation techniques, which are essential for conducting financial analysis and making investment decisions.

## 2.10 RAJAT DEB, MUKESH NEPAL, SOURAV CHAKRABORTY(2022) :

The study has reviewed the literature on audit quality (AQ) in general and with reference to IFRS in particular for synthesizing the border issues, the ongoing debates and controversies. A total of 263 papers published by eight global publishers ( from June 2005 to 2020) were downloaded from the Tripura University's digital library, and after rigorous filtering, 88 sample papers were retained. Applying boundaries for screening, it has focused on the continents of study, objectives, variables, results, publishers and year of publications of the simple cited papers to summarize the research trends. Thus, the current study can spur researchers, practitioners, and academicians to gauge the impact and implications of IFRS on AQ and chart out future research agenda.

## 2.11 MUSSALLAM(2018) :

The study reviewed by the association between financial ratios and 26 firms, listed in the Qatar stock market during the time of 2009 to 2015. Research designed is based on the secondary data with annual observation and application of weighted least square for the price per shareof stock, earning yield ratio, and dividend yield ( Hussain, Salem, Rashid, and Kamarudin, 2019). It is found that key financial ratios have their significant and positive impact on the return of stock. Besides, financial ratios like market to book , return on equity, return on assets,price to earning ratios, and net profit margin have their insignificant impact on stock return of selected firms. Practical implication of the study indicates that policy makers from the government, investors and business managers can use the findings for strategic decision.

## 2.12 MINGYI HUNG (2016) :

Accounting Standards and Value Relavance of Financial Statements: An International Analysis concluded that the use of accrual accounting (versus cash accounting) negatively affects the value relevance of financial statements in countries with week shareholder protection. This negative effect, however, does not exist in countries with strong shareholder protection

## 2.13 KAUR HARPREET(2016) :

The author tries to examine the qualities and quantities performer of maruti Suzuki co.& how had both impact on its market share in India, for this study secondary data has been collected from annual reports l, journals report automobile sites. Result shows that MSL has been successfully leading automobile sector in India for last few years.

## 2.14 MAHESWARI V (2015) :

Made an attempt to analyse the financial soundness of Hero Honda Motors limited have identified three factors, namely liquidity position, solvency position and profitability position based on the study of period 2002 to 2010 using ratio analysis

## 2.15 SARWADE WALMIK KACHRU(2015) :

Analysed the effect of liberalisation, government delicensing and liberal trade policies on the growth on Indian automobile industry. The study recommends that investing four-wheelers is going to be smart portion not only in India but all around the world.

# CHAPTER – III

# THEORETICAL FRAMEWORK

## 3.1 COMPANY PROFILE:


fig 3.1

“Esquire is the leader in multibrands and technologies, their vision gives a sense of directions and destination. It captures their aspiration of being in everything they do”

## 3.2 ABOUT THE COMPANY:

**TYPE** - Proprietary company

**INDUSTRY** - IT hardware

**FOUNDED** - 1998,26 years ago

**FOUNDER** - P Suresh Kumar

**HEAD QUARTER** - Thrissur

**BRANCH** - Kottayam, Ernakulam, Kozhikode, wadakkancherry, Kodakkara, irinjalakuda, Chellakkara, thriprayar

**AREA SERVED** - All kerala

**KEY PEOPLE** - Francis challissery and Sandhya pothuval

**PRODUCTS** – computer, peripherals, accessories and consumables

ESQUIRE is an ISO 9001:2015 Company, was born on oct 7th 1998 in a very humble surrounding. The journey throughout till this day has been under the able leadership of our Proprietor Mr. P. SURESHKUMAR. The success and market position achieved by Esquire is due to the Vision our Proprietor had during the time of our inception.

## 3.3 VISION OF THE COMPANY:

A leader in multi brands and technologies, our vision gives us a sense of directions and destination. It captures our aspiration of being in everything we do. It is the basis for what we all stand for as one company. Our vision and our value guide the choices and decisions our employees make every day. Even today our operations are focused on achieving customer satisfaction with the best of service possible.

## 3.4 MISSION OF THE COMPANY:

We assure you, if provided a chance to serve your organization, we definitely can improve our staff efficiency by ensuring your systems are running at optimal performance

## 3.5 PROMISE:

Esquire ensures that our customers only get the best in the market

## 3.6 MARK OF QUALITY:

Passion for the highest standard in projectors, CCTV, Air conditioners, LED Panels, mobiles, Power backup solutions, laptops and desktops. To make innovations which check the purity and quality of the service rendered.

## 3.7 CULTURE AND TEAMWORK:

high performance is a way of life.

## 3.8 CREATIVITY AND INNOVATION:

Driven by innovation and creativity, we focus on smarter approaches and newer technologies

## 3.9 PASSION FOR EXCELLENCE:

In all our pursuits, we ceaselessly strive of excellence.

## 3.10 THEORETICAL REVIEW:

The origin of fundamental analysis for the share price valuation can be dated back to Yu-Hon Lui and David mole (1998) reports on the use by foreign exchange dealers in Hong Kong of fundamental and technical analyses to form their forecasts of exchange rate movements. Thomas Oberlechner (2001) presents the finding of a questionnaire and an interview survey on the perceived importance of technical and fundamental analysis among foreign exchange trader's and financial journalists in Frankfurt London, Vietnam and Zurich. Foreign exchange trader's confirm that, out of both the forecasting approaches, technical analysis is more prominent than the other . Doron nissin and Stephen H. Penman (2001), this research work envisages on financial statement analysis and identifies that this analysis has traditionally been seen as part of the fundamental analysis required for equity valuation. This paper outlines a financial statement analysis for use in equity valuation. Sanjay Sehgal and Meenakshi Gupta (2005) presents the survey which aims at providing insights about the way technical traders operate in the financial market and the trading strategies that they adopt. The survey covered institutional and individual technical traders with a long and active trading record for the Indian market. In this study also it is observed that the sample respondents tent to use technical analysis along with the fundamental analysis for security selection. Jenny L., Bettman , Stephen. J. Sault, Emma J. Schultz (2008) proposes an equity valuation model integrating fundamental and technical analysis, they tend to recognize their potential as compliments rather than as substitutes. Testing confirms the complimentary nature of fundamental and technical analysis by showing that in spite of each performing in isolation models integrating both have superior explanatory power. From the above review of literature, it is evident that no recent studies have been made it to explain practically how the basic tool of fundamental and technical analysis may be applied to arrive at investment decisions in a specific sector of the Indian stock market. Another gap identified from the review of literature is the lack of integration of competitor analysis with fundamental and technical analysis.

## 3.11 COMPANY ANALYSIS:

Company analysis involves evaluating various aspects of a company to assess its financial health, performance, and potential for investment. This includes analyzing financial statements, such as income statements, balance sheets, and cash flow statements, as well as considering qualitative factors like industry trends, competitive positioning, management quality, and future growth prospects. The goal is to gain insights into the company's strengths, weaknesses, opportunities, and threats to make informed investment decisions.

Company analysis is a powerful tool in developing both research case study and teaching case study in business management subject. Compared to industry analysis, company analysis gives focused and deeper insight into a company and its business in terms challenges and opportunities. In this paper we have discussed the procedure of writing company focused case study based on newly developed company analysis framework. We also recommend the company analysis as class of case study methodology in management research for the beginners and budding researchers as a beginning step in scholarly research.

Fundamental analysis at the company at the level involves analyzing basic financial variables in order to estimate the company intrinsic value. These variables include sales, profit margins, depreciation, the tax rate, sources of financing, asset utilization and other factors. Additional analysis could involve the firms competitive position in its industry. Labor relations, technological changes, management, foreign completion and so on.

## 3.12 BUSINESS PERFORMANCE:

The business performance of a company encompasses various metrics and indicators that assess its overall health and effectiveness in achieving its strategic objectives. This evaluation typically includes financial performance, operational efficiency, market share, customer satisfaction, and strategic alignment. Financial performance metrics such as revenue growth, profitability margins, and return on investment provide insights into the company's ability to generate profits and create value for shareholders. Operational efficiency measures, such as productivity levels, cost management, and inventory turnover, reflect the company's effectiveness in utilizing resources and managing expenses.

1. Market share analysis helps assess the company's competitive position within its industry and its ability to capture market opportunities.
2. Customer satisfaction surveys, feedback mechanisms, and net promoter scores gauge the company's ability to meet customer expectations and build long-term relationships.
3. strategic alignment evaluates how well the company's actions and initiatives align with its mission, vision, and long-term goals. By analyzing these factors collectively, stakeholders can gain a comprehensive understanding of the company's performance and identify areas for improvement to drive future growth and success.

## 3.13 INVESTMENTS:

Financial analysis in investment involves assessing the financial health and performance of a company or investment opportunity. It typically includes evaluating financial statements, such as income statements, balance sheets, and cash flow statements, to understand factors like profitability, liquidity, solvency, and efficiency. Analysts also consider macroeconomic factors, industry trends, and qualitative aspects like management quality and competitive advantages. The goal is to make informed investment decisions based on a thorough understanding of the financial metrics and potential risks and returns associated with an investment.

## 3.14 RATIO ANALYSIS:

Ratio analysis is a fundamental tool used to assess the financial health and performance of a company by examining various relationships between key financial data points. By analyzing ratios derived from the company's financial statements, such as the income statement, balance sheet, and cash flow statement, stakeholders gain valuable insights into different aspects of the company's operations. Liquidity ratios, such as the current ratio and quick ratio, provide an indication of the company's ability to meet its short-term financial obligations. Profitability ratios, including gross profit margin, operating margin, and return on investment, help evaluate the company's ability to generate profits from its operations. Additionally, solvency ratios, such as the debt-to-equity ratio and interest coverage ratio, assess the company's long-term financial stability and its ability to meet debt obligations. Efficiency ratios, such as inventory turnover and asset turnover, measure how effectively the company utilizes its assets to generate revenue. By conducting ratio analysis, investors, creditors, and management can better understand the company's financial position, identify strengths and weaknesses, and make informed decisions regarding investment, lending, and strategic planning.

## 3.15 LIQUIDITY RATIO:

The liquidity ratio of a company, such as the current ratio and the quick ratio, provides crucial insights into its ability to meet short-term financial obligations effectively. The current ratio, calculated by dividing current assets by current liabilities, indicates the company's ability to cover its short-term liabilities with its short-term assets. A higher current ratio is generally favorable as it suggests a stronger ability to meet obligations. However, an excessively high current ratio may indicate inefficient use of assets. On the other hand, the quick ratio, which excludes inventory from current assets, provides a more conservative measure of liquidity. It focuses on the company's ability to meet short-term obligations using its most liquid assets. A healthy liquidity ratio indicates that the company has sufficient liquid assets to cover its short-term liabilities, ensuring financial stability and reducing the risk of default. However, excessively high liquidity ratios may suggest underutilization of assets and could indicate that the company is not investing effectively to drive growth. Thus, while liquidity ratios provide valuable insights into a company's financial health and ability to manage short-term obligations, it's essential to interpret them in the context of the company's overall financial strategy and industry norms.

## 3.16 CURRENT RATIO:

The current ratio is a vital metric in financial analysis used to evaluate a company's short-term liquidity and ability to cover its short-term liabilities with its short-term assets. It is calculated by dividing a company's current assets by its current liabilities. Current assets typically include cash, cash equivalents, accounts receivable, and inventory, while current liabilities consist of obligations due within one year such as accounts payable and short-term debt. A current ratio above 1 indicates that a company has more current assets than current liabilities, suggesting it can easily meet its short-term obligations. However, an excessively high current ratio may indicate inefficient use of resources, while a ratio below 1 may signal potential liquidity issues. Therefore, a healthy current ratio depends on the industry and specific circumstances of the company, with analysts often comparing it to historical data and industry benchmarks for a more comprehensive assessment of a company's financial health.

## 3.17 FACTORS RELATING TO LIQUIDITY STRESS:

### 3.17.1 INTRODUCTION:

Liquidity stress can arise from various factors within an economic system. Market volatility, sudden shifts in investor sentiment, regulatory changes affecting funding sources, and disruptions in the credit markets can all contribute to liquidity stress. Additionally, factors such as mismatches in asset-liability durations, overleveraging, and inadequate risk management practices can exacerbate liquidity challenges for businesses and financial institutions. Moreover, external shocks like natural disasters, geopolitical events, or pandemics can further strain liquidity by disrupting supply chains and revenue streams. Overall, a combination of internal and external factors can lead to liquidity stress, highlighting the importance of robust liquidity management strategies for financial stability.

### 3.17.2. DEPOSITS:

In financial analysis, deposits made by a company can be classified into various categories based on their nature and purpose. These classifications typically include operating deposits, investment deposits, and financing deposits. Operating deposits are funds held in bank accounts primarily used for day-to-day business operations, such as payroll, supplier payments, and routine expenses. Investment deposits refer to funds placed in interest-bearing accounts or short-term investments with the intention of generating returns on idle cash reserves. Financing deposits involve funds received from financing activities, such as security deposits from customers or advance payments from clients for goods or services yet to be delivered. Each category of deposits serves a different function within the company's financial ecosystem and is essential for liquidity management, cash flow optimization, and overall financial stability. Understanding the composition and dynamics of these deposit classifications is crucial for effective financial planning and decision-making within the organization.

### 3.17.3. COMMITMENTS:

Commitment relating to liquidity stress typically involves ensuring that sufficient funds or assets are available to meet short-term financial obligations, even during periods of market instability or economic downturns. This commitment may include maintaining adequate cash reserves, establishing lines of credit with financial institutions, or diversifying funding sources to mitigate liquidity risk. Additionally, companies may develop contingency plans and stress-test their liquidity positions to identify vulnerabilities and implement proactive measures to address

### 3.17.4. SECURED FUNDING:

Secured funding in the context of liquidity stress refers to obtaining financial resources with assets pledged as collateral. When a company faces liquidity stress, meaning it doesn't have enough cash to meet its obligations, secured funding can provide a lifeline by offering access to funds backed by valuable assets. This type of funding often comes with lower interest rates and is considered less risky for lenders because they have recourse to the pledged collateral if the borrower defaults. It's a crucial strategy for businesses to manage short-term liquidity challenges and ensure they can continue operations smoothly.

### 3.17.5. WHOLESALE FUNDING:

Wholesale funding plays a crucial role in the financial analysis of a company, especially in industries like banking and finance. It refers to the funds acquired by institutions through large-scale borrowing from other financial institutions or through the issuance of debt securities. Analyzing a company's wholesale funding provides insights into its liquidity, capital structure, and risk profile. A high reliance on wholesale funding can indicate potential liquidity and funding risks, as it may be more volatile and expensive compared to retail deposits. Moreover, wholesale funding sources may be subject to market conditions and investor confidence, affecting a company's ability to raise funds when needed. Therefore, a thorough assessment of wholesale funding is essential for understanding a company's financial health and resilience.

### 3.17.6. PROFITABILITY RATIO:

Profitability ratios are crucial metrics in financial analysis, providing insights into a company's ability to generate earnings relative to its expenses and other costs. One widely used profitability ratio is the net profit margin, which measures the percentage of revenue that translates into net income after accounting for all expenses, including taxes and interest. Another important ratio is return on equity (ROE), which indicates how efficiently a company is utilizing shareholder equity to generate profits. Additionally, return on assets (ROA) assesses how effectively a company is using its assets to generate earnings. These ratios help investors and analysts evaluate a company's financial health, performance, and overall profitability, aiding in investment decisions and strategic planning.

### 3.17.7. RETURN ON ASSET:

Return on assets (ROA) is a key financial metric used in financial analysis to assess a company's profitability and efficiency in generating earnings from its assets. It measures the company's ability to generate profits relative to its total assets.

The formula for calculating ROA is:

ROA= AverageTotalAssets Net Income

### 3.17.8. RETURN ON INVESTED CAPITAL:

Return on invested capital (ROIC) is a financial metric that measures a company's efficiency in generating profits from its capital investments. It is calculated by dividing a company's net operating profit after taxes (NOPAT) by its invested capital. ROIC is used by investors to assess a company's profitability and effectiveness in utilizing its resources to generate returns for shareholders.

### 3.17.9. RETURN ON EQUITY:

Return on Equity (ROE) is a financial ratio that measures a company's profitability relative to its shareholders' equity. It's calculated by dividing net income by shareholders' equity, expressed as a percentage. Formula: (Net Income / Shareholders' Equity) * 100. ROE indicates how effectively a company is using its shareholders' equity to generate profit.

### 3.17.10. GROSS MARGIN PERCENTAGE:

The gross margin percentage is a crucial metric in financial analysis, providing insight into a company's profitability and efficiency in producing goods or services. It's calculated by subtracting the cost of goods sold (COGS) from total revenue and then dividing by total revenue, expressed as a percentage. A higher gross margin percentage indicates that a company retains more revenue after accounting for the direct costs of production, which can signify strong pricing power, efficient operations, or superior product differentiation.

### 3.17.11. NET PROFIT MARGIN:

In financial analysis, the net profit margin is a crucial metric used to assess a company's profitability. It indicates the percentage of revenue that translates into profit after accounting for all expenses, including operating costs, taxes, and interest.

### 3.17.12. RELATIONSHIP BETWEEN LIQUIDITY AND PROFITABILITY:

The relationship between liquidity and profitability in a business is crucial for its financial health. Liquidity refers to a company's ability to meet its short-term financial obligations, while profitability measures the company's ability to generate earnings.

## 3.17.13. A COMPANY NEEDS A BALANCE BETWEEN LIQUIDITY AND PROFITABILITY. HERE'S HOW THEY ARE RELATED:

**RISK MANAGEMENT:** Adequate liquidity reduces the risk of financial distress by ensuring the company can cover its short-term obligations. However, excessively high liquidity might signal underutilized resources, affecting profitability.

**OPERATIONAL EFFICIENCY:** Efficient management of assets and liabilities to maintain liquidity can positively impact profitability by reducing costs associated with financing and minimizing idle cash.

**INVESTOR CONFIDENCE:** Maintaining a healthy level of liquidity can enhance investor confidence, which may lead to a higher stock price and access to capital. Profitability, on the other hand, directly influences investor returns and long-term sustainability.

**STRATEGIC DECISION MAKING:** Balancing liquidity and profitability informs strategic decisions regarding investments, financing, and operations. For example, a company might prioritize short-term profitability over liquidity if it has access to low-cost financing options.

**INDUSTRY FACTORS:** The relationship between liquidity and profitability can vary across industries. For instance, capital-intensive industries might require higher liquidity levels to manage operational needs and cyclical downturns, potentially impacting profitability differently compared to service-oriented industries.

In summary, while liquidity and profitability are distinct financial metrics, they are closely interlinked in influencing a company's financial performance and strategic decision-making. Balancing these factors effectively is essential for sustainable growth and resilience in the face of economic challenges

# CHAPTER – 1V

# DATA ANALYSIS AND INTERPRETATION

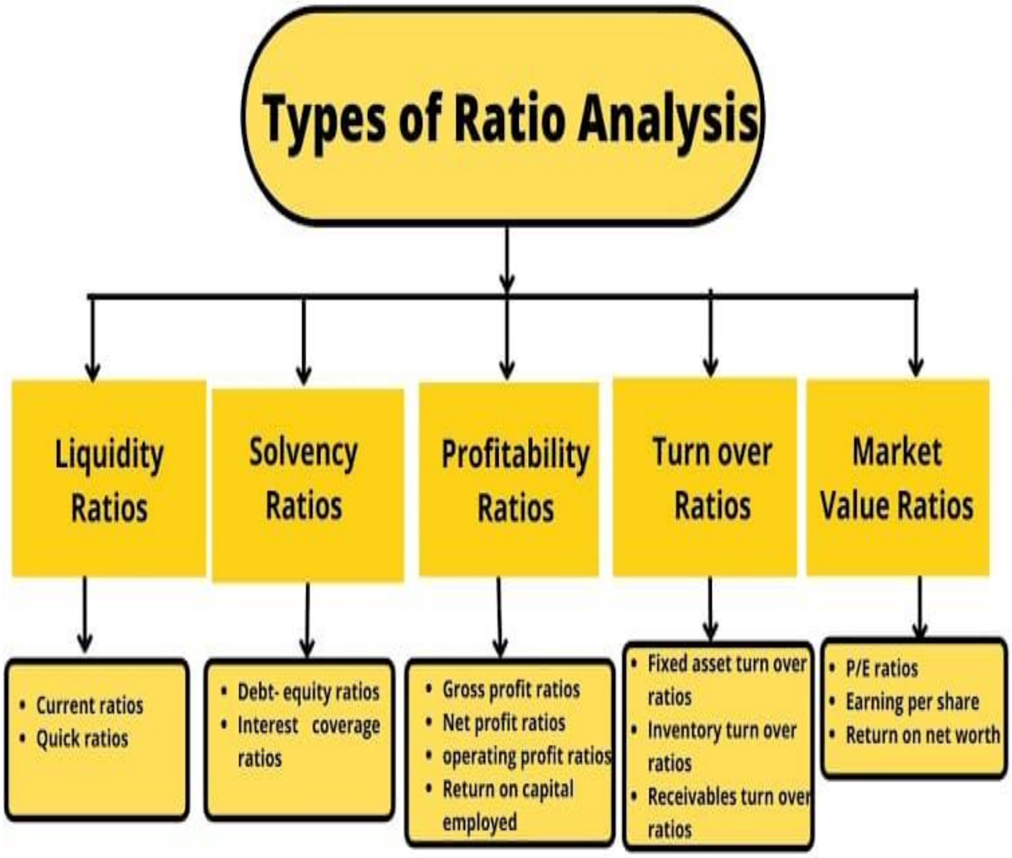
Types of Ratio Analysis
Liquidity Ratios
Solvency Ratios
Profitability Ratios
Turn over Ratios
Market Value Ratios
• Current ratios
• Quick ratios
• Debt- equity ratios
• Interest coverage ratios
• Gross profit ratios
• Net profit ratios
• operating profit ratios
• Return on capital employed
• Fixed asset turn over ratios
• Inventory turn over ratios
• Receivables turn over ratios
• P/E ratios
• Earning per share
• Return on net worth

Fig 4.1

## 4.1. CURRENT RATIO:

The current ratio is a financial metric used to evaluate a company's ability to pay its short-term liabilities with its short-term assets. It's calculated by dividing current assets by current liabilities. A ratio above 1 indicates the company has more current assets than current liabilities, which suggests it can cover its short-term obligations.

Current ratio =current asset/ current liability

=73421027/3775508

=19.4

## 4.2 LIQUIDITY RATIO:

Liquidity ratio is a financial metric used to measure a company's ability to meet its short-term obligations with its liquid assets. Common liquidity ratios include the current ratio and the quick ratio. The current ratio is calculated by dividing current assets by current liabilities, while the quick ratio (also known as the acid-test ratio) excludes inventory from current assets. These ratios help assess a company's short-term financial health and its ability to cover immediate financial obligations.

Liquid ratio= liquid asset/current liabilities

=14385147/9091818

=1.58

## 4.3 FIXED ASSET RATIO:

The fixed asset ratio, also known as the fixed asset turnover ratio, measures a company's ability to generate sales from its fixed assets. It's calculated by dividing net sales by average fixed assets

Fixed asset ratio= net fixed asset/total long term funds

=43832450/2712443   =16.1

## 4.4 INTREST COVERAGE RATIO:

The interest coverage ratio is a financial metric used to assess a company's ability to pay interest on its outstanding debt. It is calculated by dividing a company's earnings before interest and taxes (EBIT) by its interest expense. A higher ratio indicates that the company is more capable of servicing its debt obligations.

Interest coverage ratio= EBIT/fixed interest charges

=122420966.54/1681429.92

=72.80

## 4.5 INVENTORY TURNOVER RATIO:

The inventory turnover ratio is a financial metric used to measure how efficiently a company manages its inventory by comparing the cost of goods sold to average inventory for a specific period. It's calculated by dividing the cost of goods sold by the average inventory. A higher turnover ratio typically indicates better inventory management and liquidity.

Inventory turnover ratio= COGS/avg inventory

= 48207539.20/7148827.48

= 6.74

## 4.6 FIXED ASSET TURNOVER RATIO:

The fixed asset turnover ratio is a financial metric used to measure a company's efficiency in generating revenue from its investment in fixed assets, such as property, plant, and equipment. It's calculated by

dividing net sales by average fixed assets. A higher ratio indicates better utilization of fixed assets to generate sales.

Fixed asset turnover ratio = cost of goods sold/fixed assets

= 48207539.20/43832450 =1.0998

## 4.7 WORKING CAPITAL TURNOVER RATIO:

The working capital turnover ratio is a financial metric used to measure how efficiently a company utilizes its working capital to generate revenue. It's calculated by dividing net sales by average working capital. This ratio helps assess a company's operational efficiency and liquidity management. A higher ratio indicates better utilization of working capital.

Working capital turnover ratio= COGS/ Working capital

=48207539.20/(-59035879.03) = 0.8

## 4.8 GROSS PROFIT RATIO:

The gross profit ratio, also known as the gross margin ratio, is a financial metric used to assess a company's profitability. It's calculated by dividing gross profit by net sales and then multiplying by 100 to express it as a percentage. The formula is:

Gross profit ratio= Revenue - COGS

= 62206858.49- 48207539.20

=13999319.29

## 4.9 NET PROFIT RATIO:

The net profit ratio, also known as the net profit margin, is a financial metric used to measure the profitability of a company. It is calculated by dividing the net profit (after deducting all expenses, including taxes and interest) by the total revenue and multiplying by 100 to express it as a percentage. The formula is:

Net profit ratio= net profit after tax/net sales* 100

=3,215,101.53/56995185.28*100

=5.64

## 4.10 OPERATING RATIO:

The operating ratio is a financial metric used to evaluate a company's operational efficiency and profitability. It is calculated by dividing operating expenses by net sales revenue and multiplying by 100 to express it as a percentage. A lower operating ratio indicates better efficiency, as it means a company is spending less on operating expenses relative to its revenue.

Operating ratio= operating cost/net sales * 100

= 16173518.19/56995185.28

= 0.283%

## 4.11 RATIO COMPARISON:

### 4.11.1. FIGURE SHOWING COMPARISON OF CURRENT RATIO AND LIQUIDITY RATIO:

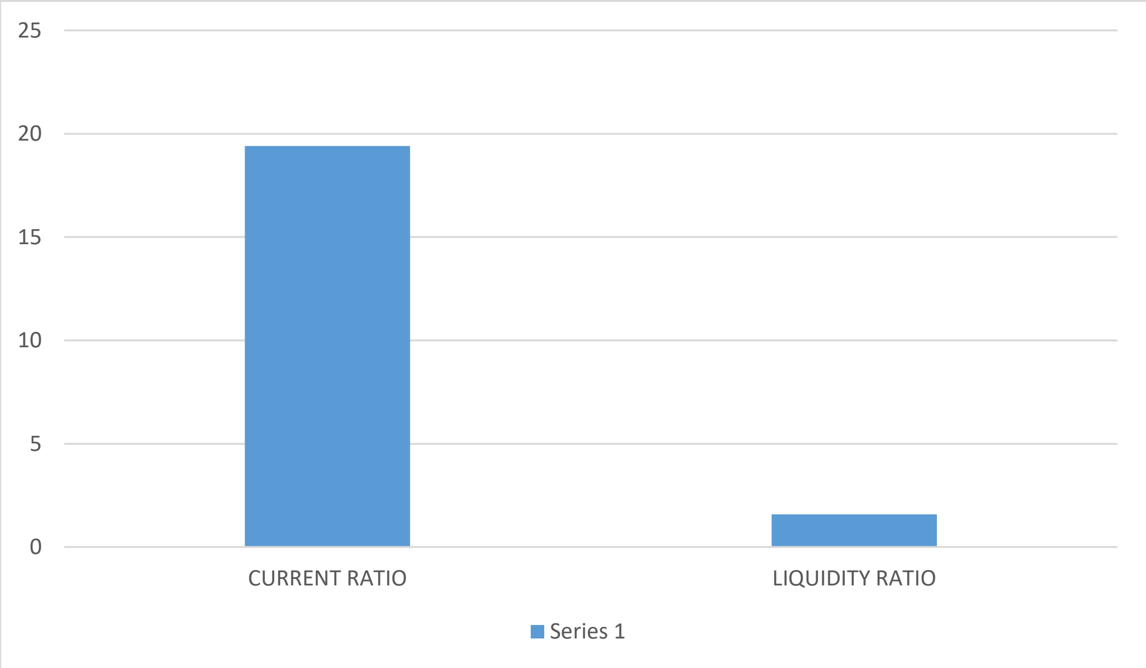


Fig 4.2

## INTERPRETATION:

The current ratio of the firm is 19.4 and liquidity ratio of the firm is 1.58 thus the current ratio is higher than liquidity ratio.

## 4.11.2. FIGURE SHOWING COMPARISON OF NET PROFIT RATIO AND OPERATING RATIO:

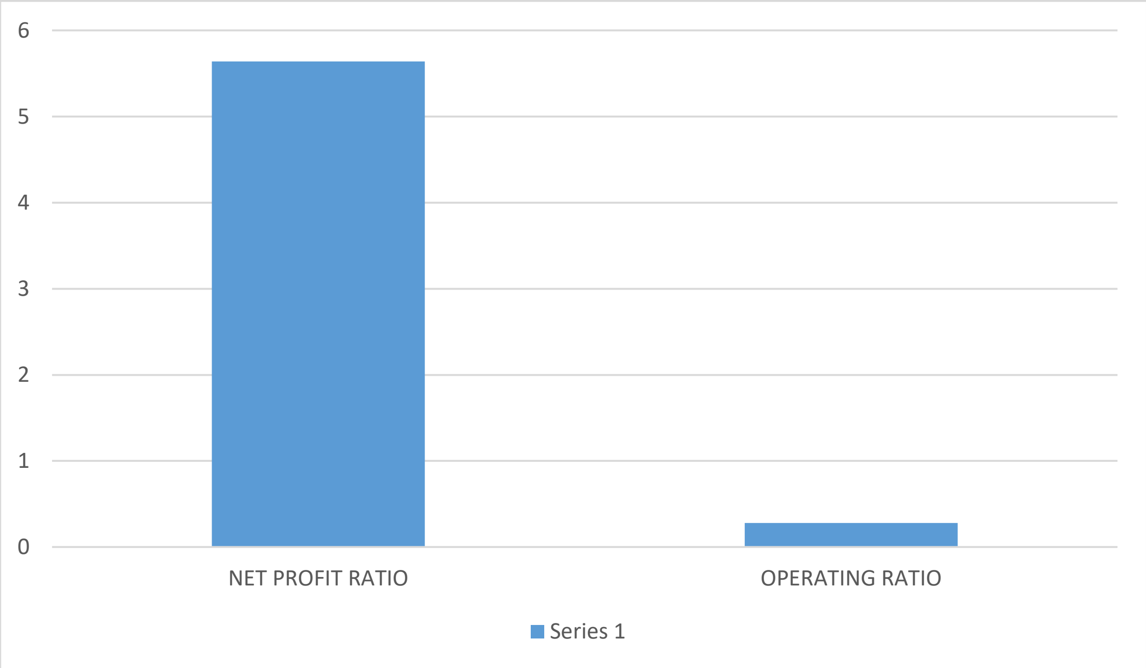


Fig 4.3

## INTERPRETATION:

The net profit ratio is 5.64 and the operating ratio is 0.28 thus net profit is higher than operating profit.

## 4.11.3. FIGURE SHOWING COMPARISON OF GROSS PROFIT AND NET PROFIT:

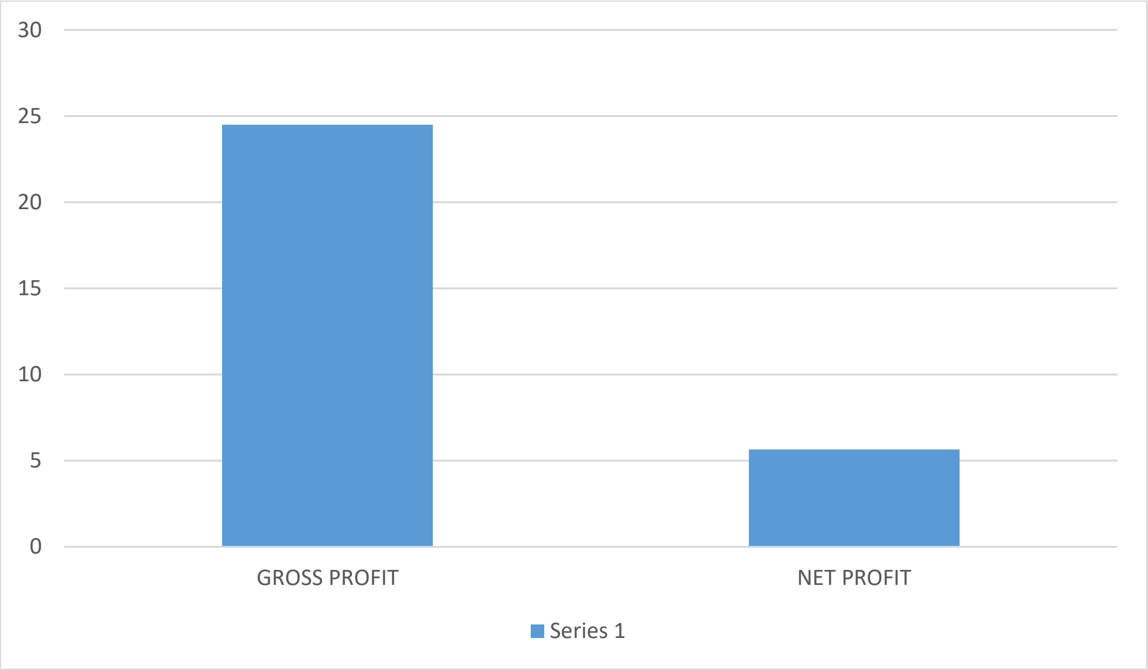


Fig 4.4

## INTERPRETATION:

Gross profit ratio of the firm is 24.5 and net profit ratio of the firm is 5.64 thus net profit is higher than gross profit.

# CHAPTER – V

# FINDINGS, SUGGESTIONS AND CONCLUSIONS

## 5.1 FINDINGS:

- The current ratio is higher than liquidity ratio therefore it helps the investors to understand more about a company's ability to cover its short-term debt.

- The net profit is higher than operating profit helps in establishing how the company's management is instrumental in reducing costs.

- The net profit is higher than gross profit therefore determines the financial value of a company and its overall performance

- The liquid ratio 1.58 there it implies the company has good liquidity position

- The current ratio is 19.4 it implies company has better short term solvency position and give more protection to short term creditors

- Fixed asset ratio is 16.1 therefore it implies that the company has brought more fixed assets this depicts operational inefficiency

- Inventory turnover ratio, a good inventory turnover ratio is between 5 and 10 for most industries, which indicates that you sell and restock your inventory every 1-2 months. Here we got 6.74 as inventory turnover ratio that means company is selling the stock quickly.

- A gross profit margin ratio 50 to 70 would be considered as healthy. Here we got 24.5 so that implies a low gross profit ratio can be indicative of: Lower Profitability: A lower profit ratio indicates that a smaller portion of revenue is retained as profit, suggesting lower profitability.

- working capital ratio if less than one is taken as indicative of potential future liquidity problems, while a ratio of 1.5 to two is interpreted as the company is on the solid financial ground in terms of liquidity. Here we got working capital turnover ratio as 0.81 which is less than 1.5 so this indicates potential liquidity problems in the future.

- Operating ratio is 28.3 so this implies higher operating profit ratio means that your business is earning well.

## 5.2 SUGGESTIONS:

As the company has a lower gross profit margin ratio it is advised to do the following:

1. Identify and eliminate unnecessary expenses
2. Focus on higher-margin products or services within your portfolio
3. Improve product quality to reduce defects, returns, and warranty claims
4. Using information technology and automation helps in improving efficiency.

## 5.3 CONCLUSIONS:

Study on the financial analysis of esquire company reveals the performance of the company in terms of financial aspects. It is found that the company is good in earning profit. It is also observed that the current ratio and liquid ratio is satisfactory i.e., short term solvency is high. Also to note gross profit is not satisfactory for this company. Interest coverage ratio, fixed asset ratio, inventory turnover ratio, fixed asset turnover ratio, working capital turnover ratio and operating ratios are stable

Further the company and efficiency can be improved by above mentioned points in the suggestion.

# BIBLIOGRAPHY

**WEBSITES:**

. https://www.esquirecomputers.com/about.html

. https://www.toppr.com/ask/

. https://en.wikipedia.org/wiki/Main_Page

. https://www.indiamart.com/

**TEXT BOOKS:**

Cost accounting 1 (mg university book) author Dr K.G.C Nair, Mr Sabu E.G, Dr Dipa S Krishnan.

Cost accounting 2 (mg university book) author Dr K.G.C Nair, Mr Sabu E.G, Dr Dipa S Krishnan.

Management accounting (mg university book) author Dr Jayan.

# ANNEXURE

**ESQUIRE ASSOCIATES**
**DOOR NO, XXV,716,2,3,4 GROUND FLOOR,2,FIRST FLOOR,3,IIND FLOOR,4,MANNATH LANE M G ROAD THRISSUR**

**BALANCE SHEET AS ON 31.03.2023**

| PARTICULARS | SCH.NO. | AS ON 31.03.2023 | AS ON 31.03.2022 |
|---|---|---|---|
| **CAPITAL AND LIABILITIES :** | | | |
| PROPREITOR'S CAPITAL ACCOUNT | | 4,00,000.00 | 4,00,000.00 |
| PROPREITOR'S CURRENT ACCOUNT | I | (59,03,813.82) | 43,25,533.49 |
| SECURED LOANS & ADVANCES | II | 6,98,33,022.00 | 6,24,14,308.69 |
| CURRENT LIABILITIES & PROVISIONS | III | 90,91,819.35 | 1,60,36,001.85 |
| **Total** | | **7,34,21,027.54** | **8,31,75,844.03** |
| **ASSETS :** | | | |
| FIXED ASSETS | IV | 4,38,32,450.06 | 4,25,71,574.17 |
| CURRENT ASSETS, LOANS & ADVANCES | V | 2,95,88,577.48 | 4,06,04,269.86 |
| **Total** | | **7,34,21,027.54** | **8,31,75,844.03** |

**As Per Our Report of Even Date Attached**

**PLACE : THRISSUR**
**DATE : 21.12.2023**
**UDIN : 23210144BGYRLT8739**

**For BYJU & ANOOP**
**CHARTERED ACCOUNTANTS**

**SURESHKUMAR PAREKKAT**
**(PROPRIETOR)**

**CA. BYJU K V,FCA**
**(PARTNER)**
**MEMBERSHIP NO : 210144**
**ICAI FIRM REG NO : 016820S**

Fig 5.1

**ESQUIRE ASSOCIATES**

**DOOR NO, XXV,716,2,3,4 GROUND FLOOR,2,FIRST FLOOR,3,IINDFLOOR,4,MANNATH LANE M G ROAD THRISSUR**

**TRADING PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2023**

| PARTICULARS | SCH.NO. | 31.03.2023 | 31.03.2022 |
|---|---|---|---|
| **INCOME :** | | | |
| Sales & Services | VI | 6,22,06,858.49 | 12,11,14,779.97 |
| **Total** | | **6,22,06,858.49** | **12,11,14,779.97** |
| **Less : Cost of Goods sold :** | | | |
| Opening Stock | | 92,32,302.15 | 81,91,038.91 |
| Purchase Less Returns | | 4,40,40,589.86 | 10,07,93,095.20 |
| | | **5,32,72,892.01** | **10,89,84,134.11** |
| Less:Closing Stock | | 50,65,352.81 | 92,32,302.15 |
| **Total** | | **4,82,07,539.20** | **9,97,51,831.96** |
| **Operating profit / (Loss)** | | **1,39,99,319.29** | **2,13,62,948.01** |
| Selling & Administrative Expenses | VII | 1,61,73,518.19 | 1,92,55,368.80 |
| Other Income | VIII | 8,10,718.03 | 9,09,852.54 |
| **Profit / (Loss) Before Depreciation** | | **(13,63,480.87)** | **30,17,431.75** |
| Depreciation w/off | | 18,51,620.67 | 19,60,896.67 |
| **Net Profit / (Loss) for the year transfered to Propreitor's Current Account** | | **(32,15,101.53)** | **10,56,535.08** |

**As Per Our Report of Even Date Attached**

**PLACE : THRISSUR**
**DATE : 21.12.2023**
**UDIN : 23210144BGYRLT8739**

**For BYJU & ANOOP**
**CHARTERED ACCOUNTANTS**

**SURESHKUMAR PAREKKAT**
**(PROPRIETOR)**

**CA. BYJU K V,FCA**
**(PARTNER)**
**MEMBERSHIP NO : 210144**
**ICAI FIRM REG NO : 016820S**

Fig 5.2