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## International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

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# A Comprehensive Study on Financial Performance of VA Tech Wabag Limited using Comparative Statement and Ratio Analysis

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**ABSTRACT:** This study titled “A Comprehensive Study on Financial Performance of VA Tech Wabag Limited using Comparative Statement and Ratio Analysis” aims to evaluate the financial health and overall performance of VA Tech Wabag Limited. The analysis is based on the company’s financial statements over a specific period, focusing on key financial indicators to assess its efficiency, profitability, liquidity, and solvency. The research adopts a descriptive methodology and relies primarily on secondary data collected from annual reports, financial statements, and other published sources. Comparative financial statements are used to analyze the changes in financial position over time, while ratio analysis is applied to interpret various aspects such as liquidity ratios, profitability ratios, leverage ratios, and activity ratios. The report concludes by suggesting that the company should focus on improving its liquidity position, maintaining stable profit margins, and enhancing cost efficiency to achieve sustainable financial growth. This study provides valuable insights for investors, management, and other stakeholders to make informed

**KEYWORDS:** Financial Performance, Comparative Statement Analysis, Ratio Analysis, Liquidity, Profitability, Solvency, Financial Statements, Asset Utilization, Cost Efficiency

## I. INTRODUCTION

Financial performance analysis plays a vital role in evaluating the overall efficiency and stability of a business organization. In today’s competitive business environment, companies must continuously monitor their financial position to ensure long-term sustainability and growth. The study of financial performance through ratio analysis helps in understanding the relationship between various financial elements such as assets, liabilities, income, and expenses. It provides meaningful insights into the operational efficiency, profitability, liquidity, and solvency of the firm. With the increasing importance of financial management, stakeholders such as investors, creditors, and management rely heavily on financial analysis for decision-making. Ratio analysis simplifies complex financial data and helps in comparing the performance of a company over different periods. This study focuses on analyzing the financial performance of the selected company using ratio analysis for a period of five years. It helps in identifying trends, strengths, and weaknesses in the financial position of the company. The findings of the study will assist in providing valuable suggestions for improving the financial performance and decision-making process.

## OBJECTIVES OF THE STUDY

1. To study the financial performance position of the company through ratio analysis.
2. To analyze the liquidity, profitability and solvency position of the company during study period.
3. To analyze the capitals structure of the company with the help of leverage ratio
4. To critically examine the discrepancies in the financial position of company.
5. To suggest the organization to make future expansion decision based on financial critical evaluation.



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### II. REVIEW OF LITERATURE

1. **Shinde Govind P. & Dubey Manisha (2011):** The study has been conducted considering the segments such as passenger vehicle, commercial vehicle, utility vehicle, two and three wheeler vehicle of key players' performance and also analyze SWOT analysis and key factors influencing growth of automobile industry.
2. **Sharma Nishi (2011):** Studied the financial performance of passenger and commercial vehicle segment of the automobile industry in the terms of four financial parameters namely liquidity, profitability, leverage and managerial efficiency analysis for the period of decade from 2001-02 to 2010-11. The study concludes that profitability and managerial efficiency of Tata motors as well as Mahindra & Mahindra Ltd are satisfactory but their liquidity position is not satisfactory. The liquidity position of commercial vehicle is much better than passenger vehicle segment.
3. **Singh Amarjit & Gupta Vinod (2012):** Explored an overview of automobile industry. Indian automobile industry itself as a manufacturing hub and many joint ventures have been setup in India with foreign collaboration. SWOT analysis done there are some challenges by the virtue of which automobile industry faces lot of problems and some innovative key features are keyless entry, electrically controlled mechanisms enhanced driving control, soft feel interiors and also need to focus in future on like fuel efficiency, emission reduction safety and durability.

### III. RESEARCH METHODOLOGY

Descriptive research design is used to describe and analyze the existing financial data of the company. It focuses on studying the current financial position and performance without manipulating any variables. The study is based on past financial records such as the balance sheet and profit and loss account. This design is suitable for the study as it helps in evaluating the financial performance of the company through ratio analysis and comparative statement analysis. It provides a clear understanding of liquidity, profitability, and solvency position of the company over the study period.

#### Data Collection Methods

**Primary Data:** Information collected from internal guide and finance manager. Primary data is first hand Information.

**Secondary Data:** Company balance sheet and profit and loss account. Secondary data is second hand Information.

**Data Collection Tools :** To analyze the data acquire from the secondary sources "Ratio Analysis" "The scope of the Study is defined below in terms of concepts adopted and period under focus. First the study of Ratio Analysis is confined only to the Hives Company. Secondly the study is based on the annual reports of the company for a period of 5 years from 2015-16 to 2019-20 the reason for restricting the study to this period is due time constraint.

#### DATA ANALYSIS

##### Current ratio:

The ratio between all current assets and all current liabilities, another way of expressing liquidity. It is a measure of the firm's short – term solvency. It indicates the availability of current assets in rupees for every one rupee of current liability. A ratio of greater than one means that the firm has more current assets than current claims against them.

S.NO	Year	Current assets	Current liabilities	Current ratio
1	2020-21	2,39,968	1,61,720	1.48
2	2021-22	2,19,252	1,54,797	1.42
3	2022-23	2,22,587	1,61,380	1.38
4	2023-24	28,880	17,410	1.66
5	2024-25	34,000	21,451	1.58

##### Interpretation:

The standard norm for current ratio is 2:1. During the year 2021 the ratio is 1.48 and it has decreased to 1.42 during the year 2022 and it is decreased to 1.38 in 2023 and it is increased to 1.66 in the year 2024 and it has decreased to 1.58 in the year 2025. So the ratio was satisfactory.

##### Quick Ratio:

Quick ratio gives the proportion of quick assets to current liabilities. It indicates whether the business concern is in a position to pay its current liabilities as and when they become due, out of its quick assets. Quick assets are current



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assets excluding inventories and prepaid expenses. It is otherwise called liquid ratio or acid test ratio. It is calculated as follows:

S.NO	Year	Quick assets	Current liabilities	Quick ratio
1	2020-21	239,118	161,720	1.48
2	2021-22	218,402	154,797	1.41
3	2022-23	<b>2,20,985</b>	<b>1,61,380</b>	<b>1.37</b>
4	2023-24	28,777	17,410	1.65
5	2024-25	<b>33,847</b>	<b>21,451</b>	<b>1.58</b>

### Interpretation:

The standard norm for the liquid ratio is 1:1. quick ratio is increased in the year 2021 to 1.48. Then, it decreased to 1.41 in the year 2022. It is decreased to 1.37 in the year 2023 Then, it is increased to 1.65 in the year 2024. And it has decreased to 1.58 in the year 2025. However the ratio was above the standard norm so the ratio was satisfactory.

### Fixed asset turnover ratio:

The ratio is supposed to measure the efficiency with which fixed assets are employed a high ratio indicates a high degree of efficiency in asset utilization and a low ratio reflects inefficient use of assets. However, in interpreting this ratio, one caution should be borne in mind. When the fixed assets of the firm are old substantially depreciated, the fixed assets turnover ratio tend to be high because the denominator of the ratio is very low. This ratio is highly useful in measuring the efficiency and profit earning capacity of the company. Higher the ratio, the greater is the utilization of fixed assets in terms of sales. A low ratio indicates under utilization of fixed assets. The ratio is especially useful for manufacturing concerns where sales are produced largely by the capital invested in fixed assets.

S.NO	Year	sales	Net fixed assets	F.A.T ratio
1	2020-21	184,313	6,702	27.50
2	2021-22	214,261	6,321	33.90
3	2022-23	<b>2,32,530</b>	<b>5,797</b>	<b>40.12</b>
4	2023-24	25,097	598	41.97
5	2024-25	<b>28,738</b>	<b>596</b>	<b>48.22</b>

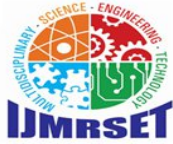
### Interpretation:

Fixed assets turnover ratio is 27.5 in the year 2021 and it is increased to 33.90 in the year 2022. It has increased in the year 2023 the ratio is 40.12 and it is increased to 41.97 in the year 2024 and it has increased to 48.22 in the years 2025.

### Current assets turnover ratio:

Current assets turnover ratio indicates that the current assets are turned over in the form of sales more number of times. A high current assets turnover ratio indicates the capability of the organization to achieve maximum sales with the minimum investment in current assets. The current assets turnover ratio has been pretty constant indicating the ability of the firm to effectively utilize its current assets to attain the maximum profitability for the firm.

S.NO	Year	Sales	current assets	Current assets turnover ratio
1	2020-21	184,313	239,968	0.77
2	2021-22	214,261	219,252	0.98
3	2022-23	<b>2,32,530</b>	<b>2,22,587</b>	<b>1.04</b>
4	2023-24	25,097	28,880	0.87
5	2024-25	<b>28,738</b>	<b>34,000</b>	<b>0.85</b>



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### Interpretation:

Current assets turnover ratio is 0.77 in the year 2021 and it is increased to 0.98 in the year 2022. But, in the year 2023 the ratio is increased to 1.04 and it is decreased to 0.87 in the year 2024 and it decreased to 0.85 in the year 2025. From above we can conclude that current assets turnover ratio is increasing.

### Debtor's turnover ratio:

It is found out by dividing the credit sales by average debtors. Debtors turnover indicates the number of times debtors turnover each year.

Sales = Gross sales

This ratio is also known as "Ratio of Net sales to gross receivable" or "Receivable turnover" or "Debtors velocity". It expresses the relationship between net credit sales and average accounts receivable. It measures the number of times the receivable are rotated in a year in terms of sales. It also indicates the efficiency of credit collection and efficiency of credit policy.

S.NO	Year	sales	Debtors	D.T.Ratio
1	2020-21	1,84,313	70,262	2.62
2	2021-22	2,01,000	75,000	2.68
3	2022-23	2,32,530	91,676	2.54
4	2023-24	2,60,000	1,05,000	2.48
5	2024-25	28,738	8,897	3.23

### Interpretation:

Debtor's turnover ratio is 2.62 times in the year 2021 and it is increased to 2.68 times in the year 2022 an DDAd decreased to 2.54 times in the year 2023 and it decreased to 2.48 times in the year 2024. But, it is increased to 3.23 times in the year 2025.

## IV. FINDINGS

- The standard norm for current ratio is 2:1. During the year 2021 the ratio is 1.48 and it has decreased to 1.42 during the year 2022 and it is decreased to 1.38 in 2023 and it is increased to 1.66 in the year 2024 and it has decreased to 1.58 in the year 2025. So the ratio was satisfactory.
- The standard norm for the liquid ratio is 1:1. Liquid ratio is increased in the year 2021 to 1.48. Then, it decreased to 1.41 in the year 2022. It is decreased to 1.37 in the year 2023 Then, it is increased to 1.65 in the year 2024. And it has decreased to 1.58 in the year 2025. However the ratio was above the standard norm so the ratio was satisfactory.
- Fixed assets turnover ratio is 27.5 in the year 2021 and it is increased to 33.90 in the year 2022. It has increased in the year 2023 the ratio is 40.12 and it is increased to 41.97 in the year 2024 and it has increased to 48.22 in the years 2025.
- Current assets turnover ratio is 0.77 in the year 2021 and it is increased to 0.98 in the year 2022. But, in the year 2023 the ratio is increased to 1.04 and it is decreased to 0.87 in the year 2024 and it decreased to 0.85 in the year 2025. From above we can conclude that current assets turnover ratio is increasing.
- Debtor's turnover ratio is 2.62 times in the year 2021 and it is increased to 2.68 times in the year 2022 and decreased to 2.54 times in the year 2023 and it decreased to 2.48 times in the year 2024. But it is increased to 3.23 times in the year 2025.

## V. SUGGESTIONS

### Improve Liquidity Position:

The current ratio is below the standard (2:1), so the company should increase current assets or reduce short-term liabilities to maintain better liquidity.



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### Control Fluctuations in Ratios

Many ratios (like liquid ratio, capital turnover, and current asset turnover) show ups and downs. The company should maintain consistency through better financial planning.

### Increase Profit Stability

Net profit dropped sharply in 2023. The company should focus on cost control, efficient production, and better pricing strategies to avoid such fluctuations.

### Improve Debtor Management

Debtor turnover ratio fluctuates. The company should strengthen credit policies and ensure faster collection from customers.

### Efficient Use of Assets

Fixed asset turnover ratio is improving, which is good. The company should continue using assets efficiently to generate higher sales.

### Reduce Operating Costs

Operating profit ratio is decreasing, indicating rising costs. The company should reduce unnecessary expenses and improve operational efficiency.

### Maintain Low Debt Levels

Debt-equity ratio is low, which is a positive sign. The company should continue maintaining a balanced capital structure.

## VI. CONCLUSION

Overall, the company shows a mixed financial performance. Liquidity position is satisfactory but below the ideal standard. Profitability and efficiency ratios show fluctuations, especially in 2023, but there is improvement in later years. The company has strong asset utilization and low debt, which are positive indicators. However, it needs to focus on improving liquidity, maintaining stable profits, and controlling operating costs to achieve better financial stability in the future.

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