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Financial Analysis through Financial Management Techniques at VKS Enterprises at Chennai

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Abstract: The project titled **"**Financial Analysis through Financial Management Techniques at VKS Enterprises**"** provides a focused evaluation of the company's financial position using key financial tools such as ratio analysis, leverage analysis and comparative financial statements. These techniques are essential for understanding the financial health, risk profile and operational effectiveness of a business over time.

The primary objective of this analysis is to offer a detailed assessment of the company's financial strengths and weakness based on its performance over the past three financial years. Ratio analysis is used to interpret figures related to profitability, liquidity, and efficiency—including key ratios such as the current ratio, quick ratio, net profit margin, return on capital employed (ROCE) and inventory turnover ratio. In addition, leverage analysis explores the company's debt-equity ratio and interest coverage ratio, which help determine the degree of financial risk and the company's ability to meet long-term obligations.

The analysis highlights areas where VKS Enterprises is performing well and points out sectors that require improvements, particularly in capital structure and short-term financial planning. The study concludes by emphasizing the value of these financial tools in driving strategic decisions and improving overall performance.

Keywords: Ratio Analysis, Leverage, Profitability, Liquidity, Financial Performance.

I. INTRODUCTION

Packaging material manufacturing industries use a variety of materials to create packaging for products. These materials include paper, glass, metal, and polymers. Packaging materials are used to protect products during transport, storage, and handling.

It has become challenging for marketers to gain consumers' attention and establish the value of their product in customers' eyes. That is why product packaging as a marketing tool is considered as an ultimate opportunity by the marketer to help them convey their brand's message visually.

Packaging also refers to the process of designing, evaluating, and producing packages. Packaging can be described as a coordinated system of preparing goods for transport, warehousing, logistics, sale, and end use. Packaging contains, protects, preserves, transports, informs, and sells.

The packaging industry is integral to the manufacturing industry for a good number of reasons. Items need bubble wrapping, securing together and loading into containers to get from the warehouse to the shelves.

Packaging is a coordinated system made up of any materials of any nature, to be used for preparing goods for containment, protection, transport, handling, distribution, delivery and presentation. Several authors and researchers in the packaging field have described and defined them in various ways. Paine, Robertson and Livingstone and Sparks emphasize seven fundamental functions of packaging for the product to be: protection, containment, preservation, apportionment, unitization, convenience and communication of the product.

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II. LITERATURE REVIEW

Financial statement analysis helps assess a company's financial health by using tools such as ratios and leverage measures. Ratios like liquidity, profitability, and solvency ratios provide critical insights into different aspects of performance (White, Sondhi, & Fried, 2003). Leverage ratios, in particular, show how much debt a company uses to finance its assets, helping in risk assessment (Penman, 2012). Research indicates that systematic financial analysis improves decision-making for investors, lenders, and management (Stickney & Weil, 2006). However, studies also show that many businesses, especially in emerging markets like India, often lack rigorous financial analysis practices (Gupta & Sharma, 2011). This can lead to poor financial planning and missed growth opportunities. Despite the importance of these tools, limited research exists on how Indian companies consistently apply ratio and leverage analysis in real-world decisions. This study aims to bridge that gap by exploring the use and impact of financial analysis tools among Indian companies.

III. SCOPE OF THE STUDY

The scope of this research is limited to a comprehensive financial analysis of VKS ENTERPRISES, with particular emphasis on ratios and Leverages. The research seeks to evaluate the company's capital structure, debt management practices, to analyse their combined effect on financial performance. The analysis relies on secondary data in the form of published financial accounts of the company, comprising balance sheets, income statements, and notes to accounts for the preceding 3 to 5 fiscal years. The analysis assesses the effectiveness of the company to manage financial risk using leverage as well as minimizing cost inefficiencies associated with human resources. This research is not extending to other VKS ENTERPRISES business segments or to the collection of primary data in the form of interviews or employee questionnaires. Macro factors and sector-wide shocks are also recognized but not developed fully, since emphasis is still placed on firm-specific financial relationships.

IV. NEED OF THE STUDY

This study is essential to understand the financial health and performance of an organization through the analysis of leverage and employee costs. Ratio analysis Leverage Analysis operating, financial, combined helps assess the impact of fixed costs and debt on profitability risk. It enables better decision-making regarding and financial planning. Ratio Analysis is equally important, as labour expenses form a significant part of operational costs. Studying the wages system like current, cash, liquidity etc. This study supports efficient resource utilization, improved profitability, and strategic workforce planning. It provides valuable insights for the management, investors, and stakeholders.

V. OBJECTIVE OF THE STUDY

- To analyse the impact of ratios and leverage (operating, financial, and combined) on the organization’s risk, cost structure, and profitability.
- To evaluate overall financial performance and stability through detailed financial statement analysis
- To examine the relationship between leverage levels and employee costs and how they collectively influence the overall financial performance of the organization.

VI. RESEARCH METHODOLOGY

A descriptive research design was employed to analyse the financial statements with a focus on ratios leverage and leverages. The study relied on secondary data collected from official company websites. Leverage was calculated over a five-year period from 2020 to 2025, including operating leverage, financial leverage, and combined leverage to assess the company's financial performance. The methodology aimed to identify the impact of leverage and employee cost on overall financial efficiency. This approach helped in drawing meaningful conclusions from historical financial data.

VII. FINDINGS

- A current ratio is best in the company but in 2023-2024 it is 2.22. Its indicates that the business is having more current assets.
- A quick ratio of the company is quite worst because all the values are below 1.
- In the year 2023-2024 and 2024-2025 equity ratio is good.
- The debt is higher from 2020 to 2024.
- Gross and net profit of the company is very good, and there is no loss in any of the years.

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- Company's profitable statements are very good, where sales, variable cost, fixed cost, EBIT, EBT, and finally EAT are very excellent.
- Operating leverage, financial leverages, combined leverages are very good and excellent.

VIII. RECOMMENDATIONS

- The company has a good current ratio, it should focus on improving its quick ratio and liquidity position by reducing reliance on inventory or increasing liquid assets.
- Managing and reducing debt levels should be a priority to lower financial risk, especially considering the higher debt from 2020 to 2024.
- The company should continue to capitalize on its strong profitability by reinvesting in growth, managing costs, and exploring new revenue opportunities.
- Maintain a balanced approach to leveraging, ensuring that high operating and financial leverage does not expose the company to excessive risk.

IX. CONCLUTION

The company's performance analysis from 2020 to 2024 is good whereas the ratios and leverages are good to go. The company's Performance analysis from 2020 to 2024 shows fluctuating risk and return levels. Operational leverage peaked in 2020, indicating high fixed costs and sales sensitivity financial leverage remained low overall, showing limited dependence on debt.2021 and 2022 had the highest combined leverage, signalling greater earnings volatility. The company managed to reduce combined leverage to 1.12 in 2023 and 2024.This indicates improved cost control and financial stability. Consistently positive EAT (Earnings After Tax) reflects profitability despite leverage shifts Low financial leverage minimized interest burden in most years. Recent trends show a strategic focus on sustainable growth with balanced risk. Overall, the company maintained a cautious yet effective use of leverage. Strategic improvements in workforce management and operational processes are essential to recover from the productivity crisis and ensure future efficiency.

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