

A Study on Financial Performance Analysis of Medium Enterprises-A Case Study of eZONE Security Solutions (INDIA) Private Limited

Dr. Subba Rayudu Thunga

Associate Professor, Andhra Loyola Institute of Engineering and Technology, Vijayawada, Andhra Pradesh (India)

ARTICLE DETAILS

Article History

Published Online: 15 May 2019

Keywords

Financial Performance, Small scale Enterprises.

Corresponding Author

Email: rayudu.thunga@gmail.com

ABSTRACT

In the changing scenario of competition, the evaluation of the company's financial performance becomes critically significant for medium enterprises. The research is an effort on the way to investigate the economical efficiency of medium enterprises-A case study of eZONE Security Solutions (INDIA) Private Limited, Vijayawada, Andhra Pradesh based on selected financial performance indicators. The research is based on published sources from financial statements of the enterprise. The study covers a period of five financial years i.e. 2012-13 to 2016-17. Ratio analysis, mean and chi-square tests are used to analyze the financial performance. The overall profitability and economic efficiency of the eZONE Security Solutions (INDIA) Private Limited is satisfactory. This study would be helpful to the owners of medium enterprises as well as government to make more initiatives to strengthen small scale sector.

1. Introduction

Tiny and Medium companies have played a leading role in majority of the countries across the globe (Priscilla Nyanchama Ombongi et al, 2018). Medium level companies take a most important role regard to entrepreneur knowledge, startup ideas and employment opportunities (Kinyua A, 2014). World Bank group description reveals that organized small, medium sector companies give to 45% to total employment and 35% to whole GDP respectively in growing nations. (World Bank Group, 2015) small scale sector appear as an extremely exciting sector of the Indian market more than four decades. Medium scale industries have been act as an engine to reach the economy from developing to developed stage. The latest studies reveal that the small scale sector is most attractive to upcoming entrepreneurs with low level of investment.

2. Objectives of the study

1. To study the profitability and economical efficiency of the eZONE Security Solutions (INDIA) Private Limited.
2. To investigate the efficiency of assets utilization in eZONE Security Solutions (INDIA) Private Limited.
3. To assess the solvency capacity of the enterprise with the help of key financial indicators.

3. Methodology of the study

Methodology of the study explained under the heads of sources of data, period of the study, techniques of analysis and statistical tools used.

Sources of data collection

The main sources of data used for the study is secondary, derived from the annual reports of eZONE Security Solutions (INDIA) Private Limited.

Period of the study

The present study covers a period of five financial years i.e. 2012-13 to 2016-17.

Tools and Techniques

Data gathered from different sources is analyzed by using the financial and statistical techniques like ratio analysis, mean and chi-square tests.

4. Results And Discussion

Current ratio: Table -1 represents the current ratio is 1.54 during 2012-13. It has increased to 1.60 during 2013-14; again it has increased to 1.74 during 2014-15. It has decreased to 1.68 during 2015-16 and it has increased to 1.78 during 2016-17. Hence the average current ratio f was 1.67.

Hypothesis

H_0 = Current financial performance do not differ significantly between the years.

H_A = Current financial performance differ significantly between the years.

Table -1: Analysis on Current Financial Performance (Figures in lakhs)

Year	2012-13	2013-14	2014-15	2015-16	2016-17	Average
Current Assets	1663.12	1957.03	2336.34	2462.39	2335.95	10,754.83
Current Liabilities	1083.27	1223.02	1341.55	1467.77	1313.22	6428.83
Current Ratio	1.54	1.60	1.74	1.68	1.78	1.67

Degrees of Freedom = 4, Level of significance = 5%,

From the study it is clear that the critical value of Chi-square test 9.49 is larger than the calculated value (6.01).

Hence, the null hypothesis is accepted. We may conclude that Current financial performance do not differ significantly between the years.

Net profit margin: Table -2 represents the net profit margin is Rs. 5.21 lakhs during 2012-13. It has increased to Rs.6.61 lakhs during 2013-14, later it has shown a negative tendency for the period of next three years with Rs. 3.32 lakhs,

Table -2: Analysis on Net Profit Margin (Figures in lakhs)

Year	2012-13	2013-14	2014-15	2015-16	2016-17	Average
Net Profit	120.56	187.51	112.78	111.67	112.95	645.47
Sales	2312.43	2835.98	3394.61	3729.32	4095.84	16368.20
Net profit Margin	5.21	6.61	3.32	2.99	2.76	3.94

Degrees of Freedom = 4, Level of significance = 5%,

From the study it is clear that the critical value of Chi-square test 9.49 is larger than the calculated value (2.66). Hence, the null hypothesis is accepted. We may conclude that Net profit margin do not differ significantly between the years.

Efficiency of Assets Utilization: Table-3 represents the Efficiency of Assets Utilization which is measured by using a ratio of sales to total assets. The return on total assets is Rs.1.29 lakhs during 2012-13. Later it has shown an increasing

Table -3: Analysis on Efficiency of Assets utilization (Figures in lakhs)

Year	2012-13	2013-14	2014-15	2015-16	2016-17	Average
Sales	2312.43	2835.98	3394.61	3729.32	4095.84	16368.20
Total Assets	1796.26	2080.55	2436.50	2624.18	2453.64	5077.82
Return on Total Assets	1.29	1.36	1.39	1.42	1.67	3.22

Degrees of Freedom = 4, Level of significance = 5%,

From the study it is clear that the critical value of Chi-square test 9.49 is larger than the calculated value (7.05). Hence, the null hypothesis is accepted. We may conclude that Return on total assets do not differ significantly between the years.

Solvency capacity: Table-4 represents solvency capacity of the eZONE Security Solutions (INDIA) Private Limited, which is measured with the help of debt to equity. The debt-equity ratio is 0.80 during 2012-13, it has decreased to 0.56

Table - 4: Analysis on Solvency Capacity (Figures in lakhs)

Year	2012-13	2013-14	2014-15	2015-16	2016-17	Average
Debt	316.22	306.45	441.70	471.34	487.25	2022.96
Equity	396.76	551.08	653.25	685.06	653.18	2939.33
Solvency Capacity	0.80	0.56	0.68	0.69	0.75	0.69

Degrees of Freedom = 4, Level of significance = 5%,

From the study it is clear that the critical value of Chi-square test 9.49 is larger than the calculated value (0.05). Hence, the null hypothesis is accepted. We may conclude that Solvency capacity do not differ significantly between the years.

5. Findings and conclusion

Economic efficiency of the eZONE Security Solutions (INDIA) Private Limited was analyzed with the help of current

Rs.2.99 lakhs and Rs.2.76 lakhs. The average net profit margin was Rs.3.94 lakhs.

Hypothesis

H_0 = Net profit margin do not differ significantly between the years.

H_A = Net profit margin differ significantly between the years.

trend for the next four years with Rs.1.36 lakhs, Rs.1.39 lakhs, Rs.1.42 lakhs and Rs.1.67 lakhs. The average return on total assets was Rs.3.22 lakhs.

Hypothesis

H_0 = Return on total assets do not differ significantly between the years.

H_A = Return on total assets differ significantly between the years

during 2013-14, it has shown an increasing trend for the next three years with 0.68, 0.69 and 0.75. Hence, the average debt-equity ratio was 0.69.

Hypothesis

H_0 = Solvency capacity do not differ significantly between the years.

H_A = Solvency capacity differ significantly between the years.

ratio, net profit ratio, total assets turnover ratio and debt-equity ratio. Current financial performance, net profit margin, efficiency on assets utilization and solvency capacity are not differ significantly between the years. The average current ratio was 1.67, the company is not maintaining ideal ratio i.e. 2:1. Hence, the current financial performance is satisfactory. Net profit margin is shown a diminishing trend over the period of study. Efficiency of assets utilization is an increasing trend over

the period of study. Solvency capacity of the company is good. Hence the overall profitability and economical efficiency of the eZONE Security Solutions (INDIA) Private Limited is

satisfactory. The management has to make appropriate measures and initiatives to increase net profit margin.

References

1. Ashish Kumar, Vikas Batra and S.K.Sarma (2009), Micro, Small and Medium Enterprises in India: Challenges, Issues in the current scenario. International Conference on Technology and Business Management. Vol.5, Issue.2.
2. Alhassan Musah, (2018), Financial Management Practices, Firm Growth and Profitability of Small and Medium Scale Enterprises (SMEs), Information Management and Business Review (ISSN 2220-3796) Vol. 10, Issue. 3. pp. 25-37.
3. Goswami, S., and Sarkar, A (2011), Analysis of Financial Performance of Tata Steel-A case study. Zenith International Journal of Multidisciplinary Research. Vol. 1, Issue .5. pp. 161-174.
4. Garg, Ishu and Walia, Suraj (2012), Micro, Small and Medium Enterprises (MSMEs) in post reform India: status and performance, International Journal of Latest Trends in Engineering and Technology, Vol.1, Issue 3, pp.134-141.
5. Kinyua, A (2014),), Factors Affecting Financial Performance of Small and Medium Enterprises in the Jua Kali Sector in Nakuru Town, Kenya. IOSR Journal of Business and Management. Vol.16, Issue.1. pp.80-93.
6. Priscilla Nyanchama Ombongi and Wei Long (2018), Factors Affecting Financial Performance of Small and Medium Enterprises (SMEs): A case of Manufacturing SMEs in Kenya. International Journal of Research in Business Studies and Management, Vol.5, Issue.1. pp.37-45.
7. Rufo R. Mendoza, (2015), Financial Performance of Micro, Small and Medium enterprises (MSMEs) in the Philippines, International Journal of Business and Finance Research Vol. 9, Issue . 4, ISSN: 1931-0269 (print) ISSN: 2157-0698 (online). pp. 67-80.
8. Selvarani,C (2013), Financial Performance of Sundaram Clayton Limited. International Academic Research Journal of Economics and Finance. Vol.2, Issue.2. pp.30-35.
9. Singla, V (2013), A comparative study of Financial performance of SAIL and Tata Steel Limited. International Journal of Reviews, Survey and Research. Vol.2, Issue.1 pp.1-22.