CHAPTER-I

INTRODUCTION

Financial statements are prepared for decision making. They play a dominant role in setting framework of managerial decisions. But the information provided in the financial statements is not an end in itself as no meaningful conclusion can be drawn from these statements alone. However, the information provided in the financial statements is of immense use in making decision through analysis and interpretation of financial statements.

Financial statement analysis is an extremely useful tool in understanding the financial performance of any company. It allows you to determine a business's current position with regardsto its commercial strengths (e.g., Customer base) and weaknesses (e.g., Volatile costs). It also gives an understanding of the key drivers of the business through multiple factors. This can includestrategic, economic aspects as well as accounting and financial; all of which can tell strikingly different stories. Being able to tell the overall story behind these numbers is an invaluable tool notjust for investors, but also people who run their own businesses.

From an entrepreneurial perspective, having a sound understanding of financial statement analysis can be crucial to business success. Knowing your own financials, can be the quickest and in many cases the most efficient way to pitch a business to investors.

Financial analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and lossaccount. There are various methods or techniques used in analyzing financial statement, such as comparative statement, trend analysis, schedule of changes in working capital, funds flows and cash flows analysis, and ratio analysis. This study concentrates on analyzing the financial statements of Jyothy Labs.

Financial statement analysis is important because it is useful for helping answer lots of questionsabout an entity like

- ✓ Is the company solvent?
- ✓ How much is the company worth?
- ✓ Is it likely to remain a going concern?
- ✓ How likely is the concern to be able to repay a loan?
- ✓ What are its expected future cash flows?
- ✓ What risks does the company face?

Important financial statements of a company are:

1. Balance sheet
2. Income statement
3. Cash flow statement

BALANCE SHEET

A balance sheet is a financial statement that contains details of a company's assets or liabilities ata specific point in time. It is one of the three core financial statements (income statement and cash flow statement being the other two) used for evaluating the performance of abusiness. The balance sheet represents the "worth" of the company represented as assets and liabilities. But looking at the assets, it may be possible to gauge how well the company has donein the past. Also, looking at the liabilities, it may be possible to gauge the kind of risks that it took or was able to take.

From the balance sheet we can understand:

- Is a company taking on more debt
- Are they paying down debt
- Are they growing cash reserves
- Are they growing their hard assets (plant, property, equipment)
- Is inventory growing

INCOME STATEMENT

The Income Statement is one of a company's core financial statements that shows their profitand loss over a period of time. The profit or loss is determined by taking all revenues and subtracting all expenses from both operating and non-operating activities. The analysis of the income statement involves comparing the different line items within a statement, as well as following trend lines of individual line items over multiple periods. This analysis is used to understand the cost structure of a business and its ability to earn a profit.

On the income statement analysis, we can understand:

- Cost of Goods Sold (COGS) as a percent of revenue
- Gross profit as a percent of revenue
- Depreciation as a percent of revenue
- Selling General & Administrative (SG&A) as a percent of revenue
- Interest as a percent of revenue
- Earnings Before Tax (EBT) as a percent of revenue
- Tax as a percent of revenue
- Net earnings as a percent of revenue

CASH FLOW

Cash flow is the movement of money in and out of a company. Cash received signifies inflows,and cash spent signifies outflows. The cash flow statement is a financial statement that reports on a company's sources and usage of cash over some time. A company's cash flow is typically categorized as cash flows from operations, investing, and financing. There are several methods used to analyze a company's cash flow, including the debt service coverage ratio, free cash flow, and unlevered cash flow.

Within cash flow analysis, 3 types of cash flow are present and used for the cash flowstatement:

- Operating cash flow - a measure of the cash generated by a company's regular business operations. Operating cash flow indicates whether a company can producesufficient cash flow to cover current expenses and pay debts.
- Cash flow from investing activities - the amount of cash generated from investing activities such as purchasing physical assets, investments in securities, or the sale ofsecurities or assets.
- Cash flow from financing activities (CFF) - the net flows of cash that are used to fundthe company. This includes transactions involving dividends, equity, and debt.

OBJECTIVES OF THE STUDY

- ❖ To know the overall financial performance of JYOTHY LABS.
- ❖ To analysis of financial position of JYOTHY LABS.
- ❖ To understand and analyse the profitability, solvency and liquidity position of the company using financial ratios.
- ❖ To provide useful suggestions to improve the financial performance of the select company for the study.

SCOPE OF THE STUDY

The study is based on the accounting information of the Jyothy Labs. The study coversthe period of 2019-2022 for analysing the financial statement such as profit and loss account and balance sheet. The scope of the study involves the various factors that affect the financial efficiencyof the company. To increase the profit and growth of the company. The data of the past four yearsare taken into account for the study. The performance is compared within those periods.

RESEARCH METHODOLOGYRESEARCH

Research can be defined as “A Scientific and systemic search for pertinent records on a unique topic”. Therefore, research should be understood as a geared-up pastime with particular targets on a hassle or issues supported through compilation of associated facts and facts, involving utility of relevant equipment of evaluation and deriving logically on originality.

RESEARCH DESIGN

Research Design is the arrangement of condition for collection and evaluation of statistics in manner that aims to combine relevance to the research reason with the economy in procedure. Research Design is necessary notably due to the fact of the expanded complexity in the market aswell as advertising and marketing techniques on hand to the researchers.

SOURCE OF COLLECTION OF DATA

SECONDARY DATA

The secondary data are those which have already been collected by someone else and whichhave already been passed through the statistical process. Thus, the data was collected from company document reports and books. The data were collected from secondary.

The major source of secondary data was:

- Balance sheet
- Profit and Loss
- Cash Flow Statement

TOOLS USED

The ratios are used as a tool for analyzing the financial performance on Jyothy Labs. Ratios are calculated from previous year and current year.

The tools are

- Ratio Analysis
- Profitability ratio
- Working capital

CHAPTER SCHEME

The current study work has been divided into five chapters:

- **Chapter I:** It examines the Introduction, Objectives, Methodology, Period of the study, Source of data collection.
- **Chapter II:** A study on Jyothy Labs: This chapter focuses on the profile of Jyothy Labs.
- **Chapter III:** Data Analysis and Interpretation: This chapter focuses on the differential techniques which the study uses in the data collection process. It includes presentation and analysis of data using different financial ratios for the findings.
- **Chapter IV:** Findings & Suggestions. These chapters focus on the findings and it gives suggestion to improve the ratios.
- **Chapter V:** Conclusion: The conclusion gives the

CHAPTER-II

PROFILE OF THE COMPANY

HIGHLIGHTS:

Founded	1983 by M. P. Ramachandran in Thrissur, Kerala
Headquarters	Mumbai
CEO	Moothedath R. Jyothy
Employees	6,718
Revenue	$311M
Products	Fabric care, dishwashing, household insecticides, personal care, soaps
Brands	Ujala, Pril, Exo, Henko, and Mr. White
Market share	84.1%

HISTORY OF THE COMPANY

Jyothy Labs Ltd. is a household and personal products company with a history that includes:

1983: M.P. Ramachandran started the company as a sole proprietorship in Thrissur, Kerala

1992: The company was incorporated as a private limited company, Jyothy Laboratories Pvt Ltd

1995: The company became a public limited company and changed its name to Jyothy Laboratories Ltd

2000: The company's registered office was moved from Kerala to Mumbai

2002: The company acquired its subsidiary Sir Sai homecare Pvt Ltd

2010: The company launched multi-insect repellent

2012: Henkel India Ltd merged with Jyothy Labs

Jyothy Labs is a well-known brand in the FMCG industry. It manufactures and markets a variety of products, including: fabric care, dishwashing, household insecticides, personal care, and mosquito repellent.

Jyothy Labs has 25 manufacturing plants across 21 locations in India. Its products are available in over 2.8 million outlets, including traditional stores, department stores, modern trade, canteen stores, and e-commerce.

BOARD OF DIRECTORS:

- M.P. Ramachandran – chairman Emeritus
- M.R.Jyothy – chairperson and Managing Director
- Ananth Rao T – Director – Operations& Commercial
- Ravi Razdan - Director – IT & HR
- Bhumika Batra – Independent Director
- Adity Sapru – Independent Director
- Narayanan Subramaniam – Independent Director
- Suresh Balakrishna – Independent Director

CHAPTER III

ANALYSIS AND INTERPRETATION

Analysis of financial statements is the process of reviewing and investigating a company's financial statements to make the better economic decisions. Here, the information on financial statements of a company is compared with that of previous years.

Interpretation of financial statements

Interpretation of financial statements analysis refers to understanding what the financial statements indicate. This is very important to take necessary future decision to ensure that thefinancial health of the company remains at desired levels. Interpretations of financial ratios isdone through ratio analysis.

Objectives of financial statement analysis and interpretation

The primary objectives of financial statement analysis are to understand and diagnose the information contained a financial statement with a view to judge the profitability and financialsoundness of the firm and to make forecast about future prospects of the firm. The purpose of analysis depends upon the person interested in such analysis and his object.

Financial statement of the company

- Consolidated balance sheets
- Analyst format Income Statements
- Cash flows

BALANCE SHEET					
PARTICULARS	**2019**	**2020**	**2021**	**2022**	**2023**
ASSETS					
Non-current assets					
Property, plant and equipment	30,807.86	30,536.40	30,866.30	29,049.96	28,080.03
Capital work in progress	1,434.61	2,449.56	1,011.13	758.98	1,548.29
Right of use assets	-	5,158.31	4,704.00	4,107.36	4,309.06
Goodwill	78,633.19	78,633.19	78,633.19	78,633.19	78,633.19
Other Intangible assets	618.91	590.02	471.46	392.95	612.00
Financial assets					
i) Investments	2.59	2.59			
ii) Loan	948.24	1,087.72			
iii)Other financial assets	62.69	372.62	1,032.89	1,622.56	1,511.61
Non current tax assets (net)	406.99	1,234.99	1,100.43	1,104.60	1,139.36
Deferred tax assets (net)	9,280.98	10,269.79	9,622.82	9,065.13	8,451.71
other non-current assets	9,850.37	8,412.45	5,677.64	5,129.14	4,371.30
Total Non current assets	**1,32,046.43**	**1,38,747.64**	**1,33,119.86**	**1,29,863.87**	**1,28,656.55**
Current assets					
Inventories	20,229.00	22,506.78	27,863.98	29,722.62	30,186.26
Financial assets					
Investments	10442.37				
Trade receivables	15338.42	12238.41	9434.84	14308.39	13781.5
Cash and cash equivalents	7483.78	1491.74	7185.77	7601.66	10565.24
Bank balances other than cash and	2153.65	1402.52	12197.36	13518.40	17781.66
Loans	45.97	54.61			
Other financial assets	638.42	315.82	378.91	621.59	233.88
Other current assets	5849.69	6861.53	5418.66	5961.22	4409.54
Asset held for sale				680.36	556.59
Total Current Assets	**62,181.30**	**44,871.41**	**62,479.52**	**72,414.24**	**77,514.67**
Total Assets	**1,94,227.73**	**1,83,619.05**	**1,95,599.38**	**2,02,278.11**	**2,06,171.22**
Equity And Liabilities					
Equity					
Equity Share Capital	3,672.09	3,672.09	3,672.09	3,672.09	3,672.09
Other Equity	1,28,980.59	1,19,191.72	1,39,183.29	1,40,684.45	1,51,226.86
Equity attributable to equity holde	**1,32,652.68**	**1,22,863.81**	**1,42,855.38**	**1,44,356.54**	**1,54,898.95**
Non-controlling interests	(2,146.46)	(2,912.22)	(3,784.58)	(4,065.09)	205.91
Total Equity	**1,30,506.22**	**1,19,951.59**	**1,39,070.80**	**1,40,291.45**	**1,55,104.86**
Non-current liabilities					
Financial Liabilities					
Borrowings	202.44	27.44	-	-	-
Lease Liabilities			2,918.08	2,448.90	2800.35
Other financial liabilities	-	3,324.48			
Provisions	4,552.07	5,551.80	6,109.14	6,763.71	7,082.27
other non-current liabilities	353.92	302.73	228.97	701.09	552.45
Total non current Liabilities	**5,108.43**	**9,206.45**	**9,256.19**	**9,913.70**	**10435.07**
Current Liabilities					
Financial liabilities					
Borrowings	21,537.26	22,094.37	11,694.28	12,653.69	
Lease Liabilities	-	-	2,038.73	2,021.50	1853.22
Trade payables					
i)Total outstanding dues of micro	3,821.56	1,057.51	4,503.52	5,934.57	5,059.30
ii)Total outstanding dues of other	14,061.64	11,918.19	14,694.76	17,706.90	16,375.54
Other financial liabilities	10,799.15	11,717.77	2,696.06	2,849.51	3,169.52
Other current liabilities	5,798.51	5,349.43	9,554.81	9,160.03	11,733.33
Provisions	2,248.24	2,277.61	1,688.62	1,260.55	2,183.57
Current tax liabilities(net)	346.72	46.13	401.61	486.21	256.81
Total Current Liabilities	**58,613.08**	**54,461.01**	**47,272.39**	**52,072.96**	**40,631.29**
Total Liabilities	**63,721.51**	**63,667.46**	**56,528.58**	**61,986.66**	**51,066.36**
TOTAL EQUITY AND LIABILITIES	**1,94,227.73**	**1,83,619.05**	**1,95,599.38**	**2,02,278.11**	**2,06,171.22**
Summary of significant accounting policies					

INTERPRETATION:

- Total assets have generally increased over the five-year period, with a notable dip in 2020. This suggests strong growth in asset value over the last few years, indicating a potential expansion in operations.
- In Non-Current Assets the most significant components are property, plant, and equipment, along with goodwill. The property, plant, and equipment have declined over the years, suggesting potential asset depreciation or disposals.
- Current assets show growth, especially in inventories and cash and cash equivalents, suggesting improved liquidity and operational efficiency
- Total equity has generally increased, indicating retained earnings and a solid capital structure. The decrease in 2020 may reflect challenges, but the subsequent recovery shows a strengthening of the company's financial position.
- Total liabilities have fluctuated but generally decreased by 2023. This indicates a focus on reducing debt levels, particularly in current liabilities, which enhances financial stability.

PROFIT AND LOSS					
	2019	**2020**	**2021**	**2022**	**2023**
Income					
Revenue from operations	1,81,357.66	1,71,117.27	190912.02	2,19,648.88	2,48,601.52
Other income	2,765.80	2,000.08	1845.17	1,866.91	3,953.29
Total icome(I)	**1,84,123.46**	**1,73,117.35**	**192757.19**	**2,21,515.79**	**2,52,554.81**
Expenses					
Cost of raw material and components consumed	71,316.89	70,194.37	80264.53	1,09,599.61	1,29,118.94
Purchases of stock in trade	26,782.58	23,148.82	23463.87	19,029.36	14,703.41
Changes in investories of finished goods, stock in trade and work-in-progress	(1,029.31)	(3,251.31)	-2689.34	(331.82)	(334.12)
Employee benefits expense	20,762.82	21,932.65	23249.64	24,744.95	26,440.90
Finance costs	3,521.99	3,288.49	1923.41	1,180.56	1,309.09
Depreciation and amortisation expense	3,056.92	5,291.94	5558.81	5,816.72	5,012.32
Other expenses	35,408.80	33,984.04	35172.54	41,784.27	47,085.70
Total expense (II)	**1,59,820.69**	**1,54,589.00**	**166943.46**	**2,01,823.65**	**2,23,336.24**
Profit before exceptional item and tax (I-II)	**24,302.77**	**18,528.35**	**25813.73**	**19,692.14**	**29,218.57**
Exceptional itme		377.83	2350.41		703.25
Profit before tax	**24,302.77**	**18,150.52**	**23463.32**	**19,692.14**	**29,921.82**
Income tax					
Current tax	4,735.81	2,728.41	3764.16	3,214.74	5,405.24
Adjustment of tax relating to earlier periods	3.51				
Deffered tax (credit)/charge	(196.39)	(836.03)	634.01	564.37	543.98
Total Income tax	**4,542.93**	**1,892.38**	**4398.17**	**3,779.11**	**5,949.22**
Proft for the year(A)	**19,759.84**	**16,258.14**	**19065.15**	**15,913.03**	**23,972.60**

INTERPRETATION:

- Total income shows a generally upward trend, with a dip in 2020 likely due to external factors (e.g., market conditions or the pandemic). The significant increase in 2022 and 2023 suggests a robust recovery and growth in operations, indicating improved market conditions or successful business strategies.
- The revenue jumped from ₹1,81,357.66 in 2019 to ₹2,48,601.52 in 2023. The year-on-year increase signifies effective sales strategies
- Total expenses increased over the years, with a sharp rise in 2022 and 2023. This could indicate rising costs in raw materials, labor, and operational expenses, possibly due to inflation or increased production levels. The company should monitor expenses closely to maintain profitability
- The cost of raw materials and components is the largest expense category, showing consistent growth aligned with revenue increases. The reflects increased production to meet higher sales.
- Profit before tax fluctuated but shows a positive trend overall, particularly in 2023, which indicates successful cost management and higher revenue generation. The dip in 2020 correlates with lower revenues, but recovery and growth in the following years signal effective operational strategies.

CASH FLOW STATEMENT					
	2019	2020	2021	2022	2023
Net cash provided by operating activities	30,151.40	17,147.49	49,215.62	20,255.88	32,860.19
Net cash provided by investing activities	3,027.05	7,245.93	(12,911.98)	(3,171.30)	(4,828.72)
Net cash (used in) financing activities	(31,845.30)	(30,385.46)	(16,668.69)	(21,609.60)	(25067,89)

INTERPRETATION:

- There is significant variability in cash generated from operating activities. The peak in **2021** indicates strong operational efficiency and possibly higher revenues, while **2020** shows a substantial drop, likely due to external challenges (e.g., the pandemic).
- The recovery in **2023** suggests improved business performance and effective management of working capital, indicating a return to stronger operational cash generation.
- The positive cash flows in **2019** and **2020** indicate investments or asset acquisitions that were beneficial. However, in **2021**, there was a significant outflow, suggesting substantial capital expenditures or investment in growth initiatives, leading to a negative cash flow.
- The continued negative cash flows in **2022** and **2023** suggest ongoing investments, possibly in property, plant, and equipment, which could indicate a strategic focus on expansion or upgrading facilities.
- Cash used in financing activities has been consistently negative, indicating that the company is paying off debt or repurchasing shares rather than raising new capital. The decrease in cash used in **2021** suggests a potential improvement in financial health or less reliance on debt.

- The increase in cash used in **2023** could indicate repayments of liabilities or dividend payments, reflecting a strategy to maintain a healthy balance sheet.

RATIO ANALYSIS

Ratio analysis is referred to as the study or analysis of the line items present in the financial statements of the company. It can be used to check various factors of a business such as profitability, liquidity, solvency and efficiency of the company or the business. Ratio analysis ismainly performed by external analysts as financial statements are the primary source of information for external analysts.

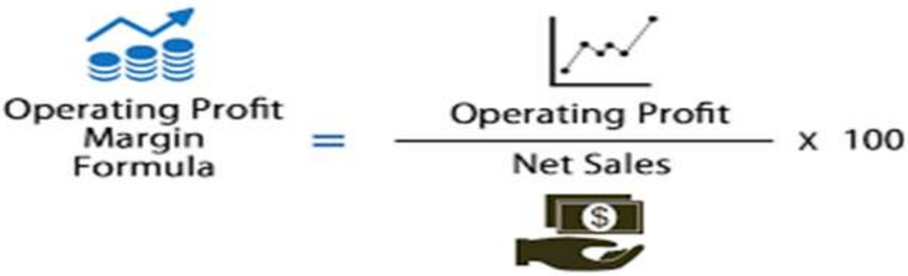
TYPES OF RATIOS:

- Profitability ratios
- Return ratios
- Coverage ratios
- Stability ratios
- Efficiency ratios
- Growth ratios

PROFITABILITY RATIO:

A. OPERATING PROFIT MARGIN:

The operating profit ratio compares the operating income of a company to its net sales to determine operating efficiency**.**



PARTICULARS	2019	2020	2021	2022	2023
OPERATING PROFIT MARGIN	17.03%	15.62%	16.21%	12.15%	14.58%

INTERPRETATION:

- The highest operating profit margin was achieved in 2019 (17.03%)
- The margin decreased from 17.03% (2019) to 15.62% (2020) This indicate an decrease in revenue.
- The margin improved slightly to 16.21% in 2021, suggesting some recovery in revenue.
- There was a notable drop to 12.15% in 2022, which could due to decreased operating profit.
- The margin increased to 14.58% in 2023, indicating a positive change.
- The operating profit margin shows some fluctuation over the years, with a significant dip in 2022 but a recovery in 2023.

B. NET PROFIT MARGIN:

Net profit ratios are calculated in order to determine the overall profitability of anorganization after reducing both cash and non-cash expenditures

PARTICULARS	2019	2020	2021	2022	2023
NET PROFIT MARGIN	10.90%	9.50%	9.99%	7.24%	9.64%

INTERPRETATION:

- The margin decreased from 15.34%(2019) to 12.53%(2020). This suggests that was a decrease in revenue. .
- The margin improved to 13.30% in 2021, indicating a recovery in profitability.
- The margin dropped to 9.50% in 2022.
- The margin increased to 12.56%in 2023 it showing a positive trend and a return to profitability levels close to 2021.

RETURN RATIO:

A. RETURN ON CAPITAL EMPLOYED:

The term return on capital employed (ROCE) refers to a financial ratio that can be used toassess a company's profitability and capital efficiency.

$$\text{ROCE} = \frac{\text{operating earnings}}{\text{capital employed}}$$

PARTICULARS	2019	2020	2021	2022	2023
RETURN ON CAPITAL EMPLOYED(ROCE)	18.02%	14.79%	16.43%	13.29%	20.16%

INTERPRETATION:

- The highest ROCE in the period, indicating effective use of capital to generate profits in 2019(18.02%). 2019 to 2020 ROCE fell from 18.02% to 14.79%.
- There was a slight improvement from 14.79% (2019) to 16.43% (2020). This indicates some recovery, though not sufficient to return to 2019 levels.
- ROCE decreased further from 16.43% to 13.29%. This continued decline suggests inefficiencies.
- The significant rise from 13.29% to 20.16% highlights a strong turnaround. It indicates the efficiency in capital use

B. RETURN ON LONG TERM ASSET:

Return on assets is a metric that indicates a company's profitability in relation to its total assets. ROA can beused by management, analysts. and investors to determine whether a company uses its assets efficiently to generate a profit.

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Average Total Assets}}$$

PARTICULARS	2019	2020	2021	2022	2023
RETURN ON LONG TERM ASSETS (ROA)	90.32%	70.21%	82.25%	71.85%	111.22%

INTERPRETATION:

- The return on long term assets fell from 90.32% (2019) to 70.21% (2020), indicating a drop in the effectiveness of long-term assets.
- In 2020 to 2021 it increased from 70.21% to 82.25%, showing a recovery in the effectiveness of asset utilization.
- The return on long term assets decreased slightly from 82.25% to 71.85%,
- There was a remarkable increase from 71.85% to 111.22%, reflecting a strong improvement

C. RETURN ON NET WORTH /ROE:

Return on Net Worth (RONW) denotes the profit earning capacity of the company on the shareholder'sinvested amount. RONW is a profitability indicator of a company expressed in percentage.

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Average Total Equity}}$$

PARTICULARS	2019	2020	2021	2022	2023
RETURN ON NET WORTH (RONW)	15.14%	13.55%	13.71%	11.34%	15.46%

INTERPRETATION:

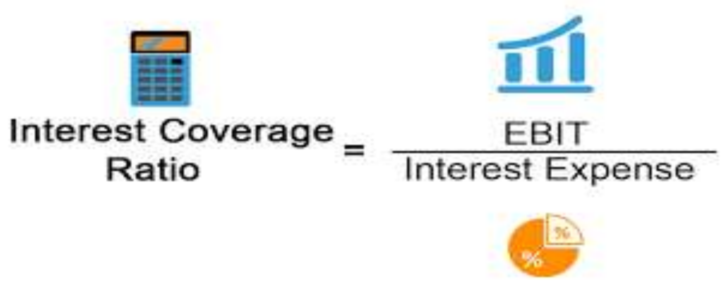
- The return on net worth dropped from 15.14% (2019) to 13.55% (2020). This decrease indicates a reduction in return generation relative to net worth.
- There was a recovery in 2020 to 2021 (13.71%), suggesting improved profitability.
- The return on net worth fell again to 11.34% in 2021 to 2022, indicating a temporary decline in returns.
- The significant rise to 15.46% in 2023 marks a remarkable improvement in return generation relative to net worth.

COVERAGE RATIO:

Coverage ratio is used to measure a company's ability to pay its financial obligations.A higher ratio indicates a greater ability of the company to meet its financial obligations while a lower ratio indicates a lesser ability. It is commonly used by creditors and lenders to determine the financial standing of a prospective borrower.

A. INTEREST COVERAGE RATIO:

It evaluates the number of times a company is able to pay the interest expenses on its debt with its operating income. The ability of a company to pay the interest expense on its debt.



PARTICULARS	2019	2020	2021	2022	2023
INTEREST COVERAGE RATION	7.90	6.52	13.20	17.68	23.86

INTERPRETATION:

- The Interest coverage ratio fell from 7.90 to 6.52 in 2019 to 2020, This could be due to reduced earnings or increased interest expenses.
- The Interest coverage ratio slightly increased 13.20, indicating a significant improvement
- There was a further increase to 17.68, continuing the positive trend and suggesting even better coverage of interest expenses.
- The interest coverage ratio increased substantially to 23.86, reflecting a strong improvement in the company's ability to cover interest payments with its earnings.

C. NET DEBIT TO EBITDA:

The net debt 10 earnings before interest, 1axes, deprecia1ion. and amortization (EBIIDA) ratio measures financial leverage and a company's ability to pay off its debt. Essentially, the net deb1 to EBITDA ratio (debt/EBIIDA) gives an indication as to how long a company would need to operate at i1s current level to pay off all its debt.

$$\text{Net Debt to EBITDA Ratio} = \frac{\text{Gross Debt} - \text{Cash and Cash Equivalents}}{\text{EBITDA}}$$

PARTICULARS	2019	2020	2021	2022	2023
NET DEBT TO EBITDA	0.46	0.77	0.15	0.19	-0.29

INTERPRETATION:

- The net debt to EBITDA increase from 0.46 to 0.77 in 2019 to 2020 may indicate that the company’s net debt increased and EBITDA decreased.
- The sharp decline to 0.15 reflects the reduction in net debt.
- The ratio remained low at 0.19, indicating continued strong financial health
- The shift to a negative ratio of -0.29 in 2023, This is a positive sign of strong liquidity and financial flexibility.

STABILITY RATIO:

Stability analysis investigates how much debt can be supported by the company and whetherdebt and equity are balanced**.** A financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets.

A. DEBT EQUITY RATIO:

The debt-to-equity ratio measures your company's total debt relative to the amount originally invested by the owners and the earnings that have been retained over time. The debt equity ratio can be defined as a ratio between total debt and shareholders’ fund. The debt equity ratio is used to calculate the leverage of an organization.

$$\text{Debt to Equity Ratio (D/E)} = \frac{\text{Total Debt}}{\text{Total Shareholders Equity}}$$

PARTICULARS	2019	2020	2021	2022	2023
DEBT EQUITY	0.17	0.18	0.08	0.09	0.00

INTERPRETATION:

- The net debt to EBITDA increase from 0.46 to 0.77 in 2019 to 2020 may indicate that the company's net debt increased and EBITDA decreased.
- The sharp decline to 0.15 reflects the reduction in net debt.
- The ratio remained low at 0.19, indicating continued strong financial health
- The shift to a negative ratio of -0.29 in 2023, This is a positive sign of strong liquidity and financial flexibility.

B. LONG TERM DEBT EQUITY RATIO:

The Long-Term Debt to Equity is a measure of a company's financial leverage. The debt-to equity (DIE)ratio reflects a company's debt status.

$$\text{Long-term Debt to Equity Ratio} = \frac{\text{Long-term Debts}}{\text{Average Shareholder's Equity}}$$

PARTICULARS	2019	2020	2021	2022	2023
LONG TERM DEBT/EQUITY	0.00	0.00	0.00	0.00	0.00

INTERPRETATION:

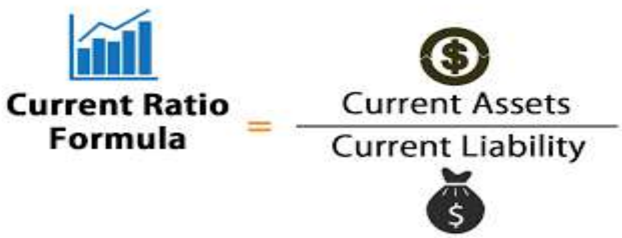
- A long-term debt/equity ratio of 0.00 for the years 2019,2020,2022 and 2023 indicates that the company has no long-term debt relative to its equity.
- A consistent 0.00 ratio implies a stable financial position, which may reduce risk during economic fluctuations since there are no debt obligations to meet.
- The company is entirely equity-financed, indicating strong reliance on shareholders equity for funding its operations and growth

LIQUIDITY RATIO:

Liquidity ratios are a measure of the ability of a company to pay off its shot-term liabilities. Liquidity ratios determine how quickly a company can convert the assets and use them for meeting the dues that arise.

A. CURRENT RATIO:

The Current Ratio is a financial ratio that measures a company's ability to cover its short-term liabilities (those due within one year) with its short-term assets (those that are expected to beconverted into cash within one year). It's an important indicator of a company's liquidity and short-termfinancial health.



PARTICULARS	2019	2020	2021	2022	2023
CURRENT RATIO	1.06	0.82	1.32	1.39	1.91

INTERPRETATION:

- The drop from 1.06 to 0.82 in 2019 to 2020 reflects a decline in liquidity. This could be reduced current assets.
- The ratio increased to 1.32, due to increased current assets.
- The ratio continued to rise to 1.39 in 2021 to 2022 is indicating further improvement in liquidity.
- The ratio saw a notable increase to 1.91, showing a strong liquidity position where current assets are significantly higher than current liabilities.

B. QUICK RATIO:

The Quick Ratio, also known as the Acid-Test Ratio, is a financial metric that assesses a company's ability to cover its short-term liabilities with its most liquid assets. It's a more conservative measure of liquidity compared to the Current Ratio because it excludes inventory from currentassets.

$$\text{Quick Ratio Formula} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

PARTICULARS	2019	2020	2021	2022	2023
QUICK RATIO	0.72	0.41	0.73	0.82	1.16

INTERPRETATION:

- The sharp decline from 0.72 to 0.41 in 2019 to 2020 is highlights a substantial reduction this could be due to reduced liquid assets.
- The ratio increased to 0.73, indicating a recovery in liquidity.
- The ratio continued to improve to 0.82 in 2022
- The ratio saw a significant increase to 1.16, indicating a strong liquidity position

EFFIENCY RATIO:

Efficiency ratios measure how efficiently a company uses its assets to generaterevenues and its ability to manage those assets.

A. INVENTORY TURNOVER RATIO:

The inventory turnover ratio is expressed as the number of times an enterprise sells out of its stock of goods within a given period of time. It is used to determine the speed of a company in convertingits inventories into sales.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold (COGS)}}{\text{Average Inventory}}$$

PARTICULARS	2019	2020	2021	2022	2023
INVENTORY TURNOVER RATIO	8.97	7.60	6.85	7.39	8.24

INTERPRETATION:

- The ratio decreased from 8.97 to 7.60, due to an increase in inventory levels, slower sales.
- The ratio continued to decline to 6.85, indicating further reduction in turnover efficiency. This may be due to increased inventory
- The ratio increased to 7.39, slightly an improvement in inventory management and sales performance.
- The ratio further improved to 8.24, indicating that the company achieved a strong turnaround in inventory turnover.

B. RECEIVABLES TURNOVER RATIO:

Receivable turnover ratio is used to determine the efficiency of an organization in collecting or realizingits account receivables.

$$\text{Receivables Turnover} = \frac{\text{Net Credit Sales}}{\text{Average Accounts Receivable}}$$

PARTICULARS	2019	2020	2021	2022	2023
RECEIVABLES TURNOVER RATIO	11.82	13.98	20.23	15.35	18.04

INTERPRETATION:

- The ratio increased from 11.82 to 13.98 in 2019 to 2020.
- The ratio sharply to 20.23, reflecting a reduction in average receivables
- The ratio decreased to 15.35, This could be due to an increase in receivable.
- The ratio increased again to 18.04, suggesting a reduction in average receivables outstanding.

C. ASSETS TURN OVER RATIO:

Asset turnover ratio is the ratio between the value of a company's sales orrevenues with the value of its assets. Thus. asset turnover ratio can be a determinant of a company's performance.

$$\text{Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Total Assets}}$$

PARTICULARS	2019	2020	2021	2022	2023
ASSET TURNOVER RATIO	0.93	0.93	0.98	1.09	1.21

INTERPRETATION:

- The ratio remained unchanged at 0.93 in 2019 to 2020 is reflecting a stable asset utilization efficiency. The company’s sales relative to its asset base were consistent.
- The ratio increased to 0.98 in 2021
- The ratio rose to 1.09, showing a substantial increase in assets.
- The ratio further improved to 1.21, possibly increased sales volume relative to asset growth.

GROWTH RATIO:

Growth ratios indicate how fast a company or its business is growing. These ratios measure therate at which the company is growing. Net Sales Growth (%): Net sales are the total sales of an organisation minus the return inwards, discounts etc.

Growth Rate Formula

$$\text{Growth Rate} = \left(\frac{\text{Present Value}}{\text{Past Value}}\right)^{1/n} - 1$$

GROWTH RATIO					
PARTICULARS	2019	2020	2021	2022	2023
SALES		-5.65%	11.57%	15.05%	13.18%
OPERATING PROFIT(EBITDA)		-13.44%	15.77%	-13.75%	35.80%
NET PROFIT		-22.95%	18.41%	-17.78%	49.63%

INTERPRETATION:

SALES

- A decline of -5.65% indicates a challenging year for the company, potentially due to market conditions, decreased demand, or increased competition.
- The recovery to 11.57% growth suggests that the company improved marketing, or shifting consumer needs.
- A further increase to 15.05%reflects strong momentum, the recovery of the economy and a return to normal consumer behaviours.
- The growth rate of 13.18% indicates sustained performance, although slightly lower than the previous year

OPERATING PROFIT(EBITDA)

- A decline of -13.44% suggest significant challenges affecting profitability which have been driven by increased cost.
- The recovery to 15.77% indicates a strong rebound due to recovery in sales
- The drop to -13.75% reflects renewed difficulties due to increase in expenses
- A significant increase of 35.80% signals a strong turnaround.

NET PROFIT

- A decline of -22.95% indicates substantial losses or challenges, which may have been caused by high expenses.
- The recovery to 18.41% suggests improved profitability
- The further decline of -17.78% shows that the company faced renewed challenges, potentially due to ongoing market difficulties or investments that did not yield immediate returns.
- A significant increase of 49.63% indicates a strong turnaround, suggesting effective management decisions

COMPOUND ANNUAL GROWTH RATE (CAGR):

Compound annual growth rate, or CAGR, is the mean annual growth rate of an investment over aspecified period of time longer than one year. It represents one of the most accurate ways to calculate and determine returns for individual assets, investment portfolios, and anything that canrise or fall in value over time.

CAGR	
SALES	6.51%
OPERATING PROFIT(EBITDA)	3.25%
NET PROFIT	2.34%

INTERPRETATION:

SALES CAGR: This indicates a strong demand for the company's products or services, suggesting effective market strategies and possibly expanding market share.

OPERATING PROFIT CAGR: A lower growth rate in operating profit compared to dales suggests rising operational costs or increased investments that may not yet be fully yielding returns. It indicates that while sales are growing, profitability from core operations is not keeping pace.

NET PROFIT GROWTH: This reflects the overall profitability of the company after accounting for all expenses, including taxes and interest. The growth here is the slowest, which could imply that non-operating expenses (like interest or taxes) are impacting the bottom line more significantly than in previous periods.

DUPONT ANALYSIS:

The Dupont Analysis method breaks down and clarifies the different components of the Return on Equity (ROE) formula, which can help companies with finding ways to improve their return on equity. Organizations mostly use this method to improve their own performance and to increase the return that they can offer to investors and shareholders.

DuPont Analysis

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{Revenue}} \times \frac{\text{Revenue}}{\text{Average Total Assets}} \times \frac{\text{Average Total Assets}}{\text{Average Total Equity}}$$

DUPONT ANALYSIS					
PARTICULAR	2019	2020	2021	2022	2023
NET PROFIT MARGIN	0.15	0.13	0.13	0.10	0.13
ASSETS TURNOVER	0.93	0.93	0.98	1.09	1.21
FINANCIAL LEVERAGE	1.49	1.53	1.41	1.44	1.33
DUPONT ANALYSIS	21.32%	17.87%	18.25%	14.88%	20.14%

INTERPRETATION:

- In 201 A strong ROE indicates effective management of equity and high profitability relative to shareholder equity. This year likely reflected solid operational performance and efficient use of assets.
- In 2020 The decline suggests challenges, possibly due to external factors (like the pandemic), impacting profitability or operational efficiency.
- In 2021 A slight recovery indicates that the company was beginning to stabilize, although still below 2019 levels. Improved sales or cost management may have contributed.
- In 2022 The drop in ROE highlights significant challenges, suggesting issues with net profit margins, asset utilization, or increased equity, resulting in lower returns for shareholders.
- In 2023 The rebound to over 20% indicates a strong recovery in profitability, signaling that the company has likely addressed previous challenges and improved operational efficiencies.

WORKING CAPTIAL:

Working capital is the optimum amount of cash required to be funded to meet day-to-day operations of the business. Working capital is the amount of available capital that a company can readilyuse for day-to-day operations. Working capital is calculated by subtracting current liabilities from current assets, as listed on the company's balance sheet.

PARTICULAR	2019	2020	2021	2022	2023
WORKING CAPITAL	3568.22	-9589.60	15207.13	20341.28	36883.38
NON CASH WORKING CAPITAL	-61571.67	-52969.27	-40086.62	-44471.30	-30066.05

INTERPRETATION:

- The company had a positive working capital 3568.22 in 2019, indicating it had enough current assets to cover its current liabilities. This suggests a healthy liquidity position.
- The negative working capital indicates -9589.60 that current liabilities exceeded current assets significantly. This may suggest financial strain, potential cash flow issues.
- A significant rebound to positive working capital 15207.13 indicates improved financial health. The company managed to increase its current assets relative to its current liabilities, suggesting better liquidity and operational efficiency.

- Continued growth in working capital 20341.28 suggests a strengthening financial position. The company is likely managing its resources well, allowing it to meet short-term obligations comfortably.
- The increase 36883.38 indicates strong performance and a solid liquidity position. The company appears to be in a robust financial state, with ample resources to cover short-term debts and possibly invest in growth opportunities.

NON-CASH WORKING CAPITAL:

- The first two values (-3915.56 and -11081.34) indicate a negative non-cash working capital, suggesting that the company has more current liabilities than current assets. This situation may pose liquidity issues, meaning the company might struggle to cover its short-term obligations.
- The subsequent values (8021.36, 12739.62, and 26318.14) are positive, indicating a shift towards better liquidity. This suggests that in these periods, the company has improved its working capital position, with current assets exceeding current liabilities.
- The progression from negative to positive figures indicates a potential recovery or improvement in operational efficiency. This might reflect better management of receivables, inventory, or payables, or it could indicate an increase in sales leading to higher current assets.
- The transition from negative to positive non-cash working capital is generally favorable, as it suggests that the company is moving towards a more stable financial position.

CASH CONVERSION CYCLE:

A cash conversion cycle is a time that a company needs to convert its inventories and resources into cash through sales. It measures the time it takes a business to purchase supplies, turn theminto a product or service, sell them and collect accounts receivable.

The cash conversion cycle formula has three parts:

✓ **Days inventory outstanding**

Inventory days = 365 / Inventory Turnover Ratio

✓ **Days receivables outstanding**

Receivable days = 365 / Receivables Turnover Ratio

✓ **Days payable outstanding**

Payable days = 365 / Payable Turnover Ratio

PARTICULARS	2019	2020	2021	2022	2023
RECEIVABLE DAYS	30.87	26.11	18.04	23.78	20.23
INVENTORY DAYS	40.71	48.01	53.27	49.39	44.32
PAYABLE DAYS	35.99	27.68	36.70	39.29	31.47
CASH CONVERSION CYCLE	35.59	46.44	34.61	33.88	33.08

INTERPRETATION:

- It decrease from 30.87 days in 2019 to 18.04 days in 2021 indicates improved efficiency in collections. The slight rise in 2022 suggest some challenges in collections or changes in customer payment behaviors, while the reduction in 2023 shows a recovery and continued focus on efficient receivables management.
- The increase in inventory days from 40.71 in 2019 to 53.27 in 2021 indicates that the company was holding inventory for longer periods, which result from overstocking or slower sales. The decline in 2023 suggests improved inventory management and a more efficient approach to stock turnover.
- The decrease in payable days from 35.99 in 2019 to 27.68 in 2020 indicates quicker payments to suppliers, reflecting good supplier relationships or strong cash flow
- The spike in 2020 to 46.44 days suggests a slowdown in cash flow, likely due to operational challenges. The subsequent decrease in CCC from 2021 onwards indicates improved efficiency, with the company now converting its investments into cash faster, which is a positive sign for liquidity.

CHAPTER-IV

FINDINGS:

- The current assets show a significant increase, particularly in inventories and cash equivalents. This shift indicates a potential focus on liquidity and operational efficiency in recent years.
- The company borrowing are 21,739.70 in 2019 it reduced 0.00 in 2023. It indicates reduction in company's debt over the period.
- Revenue has increased year by year getting high in 2019 1,81,357.66 in 2023 2,48,601.52 has been increased 37.07%.
- . The finance costs show a general decline over the periods, with a significant drop from 3,521.99 to 1,180.56. This indicates improved financial management.
-
- Operating Profit Margin decreased from 17.03% in 2019 to of 12.15% in 2022, then rebounded to 14.58% in 2023, indicating reduced profitability from core operations.
- Net profit margin unstable over the period, declining from 10.90% in 2019 to 7.24% in 2022, then improved in 2023 to 9.64%.
- ROCE showed recovery, increasing from 13.29% in 2022 to 20.16% in 2023, indicating better efficiency in using capital.
- ROE increased to 15.46% in 2023, indicating improved returns for shareholders.
- The Interest Coverage Ratio improved significantly from 7.90 in 2019 to 23.86 in 2023, reflecting strong ability to meet interest obligations.
- The debt-to-equity ratio shows a decreasing trend from 2019 to 2023, indicating a reduction in leverage over time.
- The company has significantly reduced its debt-to-equity ratio from 0.17 in 2019 to 0.00 in 2023, indicating a strong move towards financial stability with no debt.
- The Current Ratio increased sharply to 1.91 in 2023, indicating strong short-term financial health.
- The inventory turnover ratio increased to 8.24 in 2023, indicating improved inventory management and the receivables turnover ratio remained high at 18.04, suggesting effective collection practices, and the assets turnover ratio improved to 1.21, indicating better sales generation from assets.
- DuPont ROE improved to 20.14% in 2023, driven by a combination of net profit margin recovery and increased asset turnover.
- The CCC fluctuated, peaking at 46.44 in 2020 and stabilizing around 33 days from 2021 to 2023. A lower CCC indicates a more efficient cash flow cycle, suggesting that the company is

SUGGESTION:

- Focus on cost control and pricing strategies to improve profit margins, which have shown variability over the years.
- The significant improvement in ROCE and RONW in 2023 indicates efficient capital utilization; continue optimizing capital allocation for sustained growth.
- With a decreasing debt-to-equity ratio, consider strategic investments without over-leveraging to maintain a strong balance sheet.
- The current and quick ratios are improving, but further strengthening liquidity can provide resilience against market fluctuations.
- Maintain focus on reducing inventory days and improving receivables management to enhance cash flow and operational efficiency

CHAPTER-V

CONCLUSIION:

Jyothy Labs has demonstrated significant financial progress from 2019 to 2023. The substantial increase in current assets, particularly in inventories and cash equivalents, highlights a strategic focus on liquidity and operational efficiency. The complete elimination of debt by 2023, down from 21,739.70 in 2019, underscores the company's commitment to financial stability and prudent management of resources.

Revenue growth of 37.07% over the period reflects successful sales strategies and market positioning, although the fluctuations in operating and net profit margins indicate areas for improvement in cost management and pricing strategies. The decline in finance costs signifies enhanced financial management, contributing to a stronger bottom line.

Key performance metrics such as the return on capital employed (ROCE) and return on equity (ROE) show recovery and improvement, indicating efficient capital utilization and better returns for shareholders. The significant rise in the interest coverage ratio further illustrates the company's strong ability to meet its financial obligations.

The improvement in liquidity ratios and inventory turnover demonstrates effective operational practices and cash flow management, while the stabilization of the cash conversion cycle suggests a more efficient cash flow process.

The Jyothy Labs is in a strong position, ongoing attention to cost control, strategic investments, and operational efficiencies will be vital for sustaining growth and enhancing profitability in the future. The findings present a positive outlook, emphasizing the importance of strategic planning and execution to maintain momentum and capitalize on emerging opportunities.