



STRATEGIC FINANCIAL ASSESSMENT USING CORE PERFORMANCE RATIOS

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Abstract:

The study on Strategic Financial Assessment Using Core Performance Ratios focuses on evaluating the financial health and strategic position of Venus Home Appliances Pvt. Ltd., a leading manufacturer in India. The research aims to assess the company's liquidity, profitability, and efficiency using key financial ratios to understand its overall financial stability and growth potential. Financial ratios are crucial indicators that simplify complex financial data into measurable insights, aiding in decision-making and long-term strategic planning. Through the use of secondary data from company records, this study highlights how strategic ratio analysis can identify strengths, weaknesses, and performance trends that influence competitiveness and sustainability. The findings are expected to guide organizations in aligning financial performance with strategic objectives, ensuring long-term profitability and value creation.

Key Words: Strategic Financial Assessment, Core Performance Ratios, Liquidity, Profitability, Efficiency, Financial Analysis, Venus Home Appliances

Introduction:

Strategic financial assessment is a comprehensive process of analyzing an organization's financial performance to support long-term strategic decision-making. It goes beyond traditional financial analysis by linking financial outcomes with business strategies, enabling organizations to evaluate their competitive position and sustainability. Financial ratios play a vital role in this assessment. They serve as "yardsticks" that measure liquidity, profitability, solvency, and efficiency. These indicators help managers, investors, and stakeholders evaluate whether the company is on track to meet its goals and maintain stability.

In today's dynamic environment, where businesses face constant changes in technology, competition, and market conditions, understanding financial performance through a strategic lens becomes essential. The use of core performance ratios allows decision-makers to translate financial data into actionable insights that support cost control, investment, and risk management. This study focuses on how core financial ratios can be strategically applied to assess the financial performance of Venus Home Appliances Pvt. Ltd., thereby identifying its strengths, weaknesses, and alignment with long-term objectives.

The strategic evaluation of Venus Home Appliances Pvt. Ltd. through these ratios also highlights how effectively the company adapts to industry pressures and operational challenges. By examining trends over multiple years, the assessment uncovers whether the firm's financial health is improving or deteriorating. This deeper analysis enables management to adjust strategies before problems grow. Ultimately, strategic financial assessment turns raw numbers into clear guidance for long-term growth and competitiveness.

Objectives of the Study:

- Assess the company's liquidity using current ratio, quick ratio, and cash ratio.
- Examine ROA (Return on Assets) and ROE (Return on Equity) to evaluate asset and equity utilization.
- Measure efficiency using the asset turnover ratio.

Review of Literature:

Sharma, A. (2025): The study analyzed 60 global MNCs (2020-2024) to assess strategic financial performance using efficiency, profitability, and capital structure ratios. Regression and causality tests showed that firms with strong asset utilization and low leverage achieved higher shareholder value. It concluded that integrating efficiency and leverage metrics offers a holistic financial assessment.

Singh, R. (2021): Examining 40 Indian manufacturing firms (2015-2020), the study assessed liquidity, profitability, and solvency ratios using ANOVA and trend analysis. Findings revealed that strong liquidity and solvency improved profitability stability. It concluded that combining short-term and long-term ratios enhances strategic financial insights.

Patel, S., & Mehta, V. (2020): Focusing on FMCG firms over ten years, the study used fixed-effects regression to link liquidity management and profitability. Results showed that excessive liquidity lowers ROA, indicating inefficiency. The authors recommended setting optimal liquidity targets for strategic performance assessment.

Chaudhary, P. (2025): Investigating 50 technology start-ups (2022-2024), the study analyzed LTV/CAC, burn rate, and cash flow using panel regression and survival analysis. Firms with better LTV/CAC ratios and lower burn rates gained higher valuations. It concluded that forward-looking metrics predict sustainability better than traditional ratios.

Rao, P. (2019): A comparative study of public and private banks (five-year period) using profitability, solvency, and risk ratios showed that private banks had higher profitability, while public banks maintained stronger solvency. The study emphasized considering sectoral differences in strategic financial assessment.

Ghosh, A., & Kumar, L. (2018): Analyzing solvency and liquidity ratios' effects on market valuation (Tobin's Q) across technology and pharma sectors using multivariate regression, the study found that lower leverage and higher interest coverage improved valuation, varying by sector. The study suggested applying sector-specific ratio benchmarks.

Research Design:

The study uses a descriptive and analytical research design:

- Descriptive: This component aims to accurately portray the financial data and ratios.
- Analytical: This component goes beyond mere description to interpret the data, focusing on analyzing the company's financial performance over the specified period using ratio analysis as the primary tool.

Period of the Study:

The analysis covers a five-year period, specifically from 2020 to 2024.

Data Analysis and Interpretation:

Table 1: Liquidity Ratio (FY 2019-2024)

Year	Gross Profit Margin	Net Profit Margin
2019-2020	44.83	2.72
2020-2021	45.79	6.17
2021-2022	33.45	5.81
2022-2023	44.58	1.9
2023-2024	44.38	3.11

Interpretation:

The liquidity ratios show that Venus Home Appliances maintained moderate short-term financial stability from 2019 to 2023, with current and quick ratios staying around normal levels. However, in 2023-2024, the current and quick ratios spiked sharply, indicating excessive current assets relative to liabilities, while the cash ratio dropped, showing low actual cash availability. This suggests strong theoretical liquidity but potential inefficiency in converting assets into cash.

Table 2: Profitability Ratio (FY 2019-2024)

Year	Current Ratio	Quick Ratio	Cash Ratio
2019-2020	1.47	0.63	0.041
2020-2021	1.6	0.66	0.039
2021-2022	1.35	0.54	0.029
2022-2023	1.55	0.56	0.034
2023-2024	6.08	5.18	0.025

Interpretation:

Gross profit margin stays mostly strong, but the dip in 2021-2022 shows temporary cost pressure. Net profit margin is unstable, indicating inconsistent control over expenses and overall profitability.

Table 3: Efficiency Ratio / Asset Turnover (FY 2019-2024)

Year	Return on Asset	Return on Equity
2019-2020	4.45	10.68
2020-2021	10.17	21.98
2021-2022	9.12	22.76
2022-2023	3.23	7.37
2023-2024	3.55	5.3

Interpretation:

Return on assets and equity peak in 2020-2022, showing strong profitability, then drop sharply, signalling weaker efficiency and poor shareholder returns. The recent low levels indicate that the company isn't converting resources into profits effectively.

Table 4: Efficiency Ratio (FY 2019-2024)

Year	Asset Turnover	Inventory Turnover
2019-2020	1.63	1.9
2020-2021	1.65	1.86
2021-2022	1.57	2.27
2022-2023	1.7	1.94
2023-2024	1.14	2.8

Interpretation:

Asset turnover stays steady until it drops heavily in 2023-2024, showing weaker use of assets to generate sales. Inventory turnover improves sharply in the final year, indicating faster stock movement and better inventory control.

Table 5: Efficiency Ratio (FY 2019-2024)

Year	Receivable Turn Over	Payable Turn Over
2019-2020	9.24	13.78
2020-2021	8.86	13.24
2021-2022	9.79	14.74
2022-2023	10.64	15.14

2023-2024	22.36	14.6
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Interpretation:

Receivables turnover rises sharply, especially in 2023-2024, showing much faster collection from customers. Payables turnover stays stable, indicating that the company maintains consistent payment behaviour with suppliers.

Balance Sheet Statement:

The balance sheet analysis from 2019-20 to 2023-24 shows a consistent increase in total assets and shareholders' equity, indicating steady financial growth and stability. Shareholders' funds rose each year, reflecting strong retained earnings and improved reserves. Non-current liabilities gradually increased, suggesting the use of long-term borrowings to support business expansion. Current assets also grew, mainly due to higher inventories and receivables, highlighting active operational performance. Overall, the company demonstrates a balanced financial structure with controlled liabilities and sustained asset growth, signifying sound financial management.

Findings:

A. Liquidity Ratios:

- Current ratio rose sharply to 6.08 in 2024, showing excess liquidity.
- Quick ratio also increased to 5.19, confirming strong liquid asset levels.
- Cash ratio remained very low (<0.05), indicating low cash availability.

B. Profitability Ratios:

- Gross profit margin remained stable around 44-46%, dipping in 2022 (33.45%) due to temporary cost pressures.
- Net profit margin fluctuated high in 2021 (6.18%), low in 2023 (1.90%).
- ROA and ROE peaked in 2021-2022, then declined sharply afterward.
- ROE (5.31% in 2024) signals underutilization of equity capital.

C. Efficiency Ratios:

- Asset turnover stayed steady initially but dropped sharply in 2023-2024, showing weakened efficiency in using assets to generate sales.
- Inventory turnover improved significantly in the final year, indicating faster stock movement and better inventory management.
- Receivables turnover rose strongly over the years, especially in 2023-2024, reflecting faster and more efficient customer collections.
- Payables turnover remained fairly stable, showing consistent and controlled payment behavior toward suppliers.

Suggestions:

The company's 2024 financial performance shows strong liquidity with a high current ratio (6.08), indicating stability but also underutilized assets. Management should reinvest excess funds into productive areas such as investments or debt reduction. Improving cash management, receivables control, and cost efficiency will strengthen profitability. Low ROA and ROE highlight the need for better asset utilization and operational efficiency.

Overall, balancing liquidity, profitability, and efficiency is essential for sustainable growth and higher shareholder value. The company should focus on optimizing inventory levels to avoid tying up capital in slow-moving stock. Strengthening credit policies can ensure faster collection from customers, improving cash flow. Strategic cost-cutting measures without affecting quality will enhance net margins. Regular monitoring of financial ratios will help management make timely decisions and maintain a competitive edge in the market.

Conclusion:

The study "Strategic Financial Assessment Using Core Performance Ratios" evaluates the company's financial health from 2020-2024, highlighting strong liquidity and stable operations. However, the high current ratio indicates underutilized resources, and fluctuating profitability suggests the need for better cost and asset management.

Overall, the company has a solid financial base, but achieving a balance between liquidity, profitability, and efficiency is vital for sustained growth and competitiveness. Strengthening working capital deployment, improving asset turnover, and tightening expense control will be crucial next steps. Management must also focus on consistent revenue generation to reduce volatility. If these gaps are addressed proactively, the company can enhance long-term financial resilience and operational strength.

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