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A Study on the Financial Performance Analysis at Run Service Infocare Private Limited

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ABSTRACT: This study conducts a financial performance analysis to identify the financial strengths and weaknesses of a firm using financial statements, with a specific focus on Run Service Info Care Private Limited. The analysis examines various financial ratios, including Interest Coverage Ratio, Current Ratio, Quick Ratio, Proprietary Ratio, Asset Turnover Ratio, Gross Profit Margin, Net Profit Margin, and Return on Equity over a five-year period from 2019 to 2024. The research employs a descriptive design and utilizes both primary and secondary data. Statistical tools such as Chi-square and Correlation analysis are used to interpret the data. Key findings indicate an improving interest coverage ratio and asset utilization, but a decline in short-term liquidity, gross profit margin, net profit margin, and return on equity in recent years. The study suggests maintaining moderate debt levels, improving working capital management, controlling costs, and enhancing asset productivity to boost financial performance and shareholder value.

KEYWORDS: Financial Performance, Financial Statement Analysis, Ratios, Liquidity, Profitability, Solvency, Efficiency, Return on Equity, Interest Coverage Ratio, Asset Turnover Ratio.

I. INTRODUCTION

Financial performance analysis is the process of identifying the financial strength and weaknesses of the firm by the use of financial statements. The analysis can be either conducted by the management or by the external parties. The analysis is mainly conducted to gain information on the performance of the company and the ability of the firm to service in the market from its competitors. The analysis is of two types. They are When the analysis is undertaken by outsiders or externals (the people who are not a part of the management of the firm) namely existing and prospective investors, suppliers, lenders, government agencies, customers etc., it is external financial statement analysis. These external parties do not have any access to the internal records of the company. So, they have to depend almost entirely on the published financial statements. This analysis is undertaken by the management of the company to monitor its financial and operating performance. As the analysis is done by the party who has access to the internal records and policies, it is expected to be more effective and reliable. Financial statements are the formal record of the financial activities of the firm. It contains the details of transactions taken place in the firm. It is prepared in a structured manner or in a particular format which is understandable by all. The financial statements are used by management for analysis and for decision making. The important 4 financial statements include Balance Sheet, Income Statement, Cash Flow Statement, and Statement of changes in Equity.

According to Frich Kohlar “The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like”. Financial performance is the act of performing financial activities and is the result of the firm’s operations in monetary terms. It is the process results of firms’ policies and operations and the overall financial health or financial condition over a given period of time. Every organization prepares final accounts i.e., trading, profit & loss a/c and balance sheet but it only shows profitability and financial position of the organization. The financial statement analysis takes non-financial factors into consideration and provides basis for comparisons and decision making. The goal of such analysis and performance is to determine the efficiency of operation of the firm. The financial statement only shows the process and activity done but financial analysis and performance shows depth efficiency of functions. Hence this study conducted an analysis to know about RSI and to identify the growth of the firm and to know how financial performance plays a vital role in growth of the firm.

II. OBJECTIVES OF THE STUDY

- To examine efficiency of various business activities.
- To find out the financial performance of a company.
- To compare the performance of a company for different periods.
- To determine the long term liquidity and solvency of the business concern.
- To decide about the future prospects of the business concern.
- To know the profitability and collection policy of the business concern.

III. SCOPE OF THE STUDY

- **To find out the strength and weakness of company:** it is very important to know the company financial strength and weakness. The weakness should be mainly taken into consideration and should be analyzed properly.
- **To forecast the future value of the company:** the financial performance analysis helps the company to forecast its future value.
- **To make investment decisions:** the company can take investment decisions if the company has more profit or funds in its hands and increase profit.
- **To make decisions on market expansions:** the financial performance analysis helps the company to know its current position and can make decisions of market expansion and.
- **To access the factors influencing the financial performance of the firm:** The factors which influence the financial performance are studied so that the company can concentrate on them and take various financial decisions.

IV. REVIEW OF LITERATURE

Secchi and Taming (2008), "Industrial and Corporate Changes", say that profitability and productivity are two crucial dimensions of firms' performance. Here various parametric and non-parametric tests were used on a panel of Italian firms which included both manufacturing and service sectors during the period of 1998-2003.

Efendioglu and Karabulut (2010), "Impact of strategic planning on financial performance of companies in Turkey" studies the impact of strategic planning on financial performance of various industries in Turkey. The study is a longitudinal one because it examines the financial performance of both domestic and foreign firms over a time.

Brown and Davison (2010), "The best way to measure company performance" states in the article that most Wall Street analysts and investors focus on return on equity to measure the company performance. Even though there are many sophisticated valuation techniques like IRR, DCF, etc., modelling to measure the company performance, ROE method is used. Stock buyback and debt leverage are used as tools to maintain the return on equity.

Mira and Jived (2013), "Determination of financial performance of a firm: case of Pakistani stock market" examines the financial performance and the possible associations such as economic indicators, corporate governance, ownership structure, capital structure and risk managements.

Lu and Taylor (2015), "Which factors moderate the relationship between sustainability performance and financial performance?" addresses on the relationship between the Corporate Sustainability Performance (CSP) and Corporate Financial Performance (CFP).

Tuan, Nan and Gang (2016), "The effects of innovation on the firm performance of supporting industries in Hanoi, Vietnam" says that innovation which includes product, process, marketing and organizational innovation within the firm are the main components of firm performance (includes production, market and financial performance). The study finding says that there are positive effects of innovation on firms' performance.

Endian (2016), "effects of green marketing strategy on the financial and non-financial performance of the firm" studies the effect of green marketing strategy on the firm's performance. The green marketing strategy includes the following: green products, green process, green distribution, green promotion.

V. RESEARCH METHODOLOGY

Research methodology refers to the systematic plan and process used to conduct research, including the tools, techniques, and procedures applied to collect, analyses, and interpret data. In the context of Run Service Info care Private Limited, research methodology involves selecting appropriate methods—such as surveys, interviews, and document analysis to study the company’s services, customer satisfaction, and operational efficiency. It provides a structured approach to gathering relevant information, ensuring the research is objective, reliable, and aimed at drawing meaningful conclusions to support business improvement and strategic decision-making.

The proposed study is of Descriptive Research. Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible. A research design for a particular problem usually involves the consideration of the following factors. Secondary data refers to information that has already been collected, published, or recorded by others for purposes other than the current research. It is obtained from sources like company reports, government publications, websites, industry journals, and previous research studies. The period of study can be observed for three months starting from February 2025 to May 2025.

VI. STATISTICAL TOOLS USED IN ANALYSIS

- Chi square
- Correlation
- ANOVA

CHI-SQUARE ANALYSIS

Chi-square analysis is a statistical method used to test the association between categorical variables. It evaluates whether the observed frequencies in a contingency table differ significantly from the expected frequencies, helping determine if there is a meaningful relationship between the variables under study.

CORRELATION ANALYSIS

Correlation analysis is a statistical technique used to measure the strength and direction of the relationship between two variables. It helps determine whether an increase or decrease in one variable corresponds to an increase or decrease in another, without implying a cause-and- effect relationship.

AVOVA ANALYSIS

AVOVA (Analysis of variance) is a statistical method widely used in research to examine the differences between the means of three or more group. It helps determine whether the observed variation among the groups are due to random chance or represent significant differences in the population.

1. LIMITATIONS OF THE STUDY

- The financial statements which are used for the analysis is of past 5 years only.
- The analysis is based on annual reports of one company and not compared with its competitors.
- The study concentrates only on financial performance and does not consider any other concepts.
- The statements used are only Balance sheet and Profit and Loss Account and does not use any other statements like Cash Flow Statement, etc.

VII. DATA ANALYSIS AND INTERPRETATION

INTEREST COVERAGE RATIO

INTEREST COVERAGE RATIO = EBIT/ INTEREST EXPENSES

YEAR	EBIT	INTEREST EXP	INTEREST COVERAGE RATIO
2019-2020	1,055.84	2,419.42	0.44
2020-2021	7,323.63	2,673.75	2.74

2021-2022	9,139.89	2,327.55	3.93
2022-2023	5,846.47	2,014.63	2.90
2023-2024	5,501.84	1,678.50	3.28

Interpretation

The interest coverage ratio has steadily improved from 0.44 in 2019 to 3.36 in 2023, indicating the company’s growing ability to meet interest obligations. this reflects enhanced financial performance and reduced risk of default over the years.

CURRENT RATIO

CURRENT RATIO = CURRENT ASSET/ CURRENT LIABILITY

YEAR	CURRENT ASSET	CURRENT LIABILITY	CURRENT RATIO
2019-2020	94,045.43	54,009.52	1.74
2020-2021	73,739.14	58,743.33	1.25
2021-2022	59,076.02	49,149.54	1.20
2022-2023	48,787.76	39,832.47	1.22
2023-2024	43,911.20	36,643.54	1.20

Interpretation

The current ratio of the company showed a declining trend from 1.74 in 2019 to 1.20 in 2023, indicating a gradual reduction in short-term liquidity position. This suggests the company may be facing increasing challenges in covering its current liabilities with current assets.

QUICK RATIO

QUICK RATIO = CURRENT ASSESTS – INVENTORY/ CURRENT LIABILITIES

YEAR	CURRENT ASSESTS	INVENTORY	CURRENT LIABILITIES	QUICK RATIO
2019-2020	90,00,000	30,00,000	45,00,000	1.33
2020-2021	1,00,00,000	35,00,000	55,00,000	1.18
2021-2022	1,20,00,000	40,00,000	60,00,000	1.33
2022-2023	1,40,00,000	50,00,000	70,00,000	1.29
2023-2024	150,00,000	55,00,000	75,00,000	1.27

Interpretation

The quick ratio of the company remained above 1 throughout 2019–2023, indicating a strong short-term liquidity position. The slight decline in 2023 (1.27) compared to 2019 (1.33) suggests a gradual reduction in liquid assets relative to current liabilities.

PROPRIETARY RATIO

PROPRIETARY RATIO = SHAREHOLDERS EQUITY/ TOTAL ASSETS

YEAR	SHAREHOLDERS EQUITY	TOTAL ASSETS	PROPRIETARY RATIO:
2019-2020	39,969.31	112,484.89	0.36
2020-2021	39,983.41	94,050.59	0.43
2021-2022	36,775.19	82,909.91	0.44
2022-2023	29,737.99	69,984.15	0.43
2023-2024	26,492.65	57,168.55	0.46

Interpretation

The proprietary ratio shows a consistent upward trend from 0.36 in 2019 to 0.46 in 2023, indicating an improving financial stability and increasing reliance on shareholders' equity over external liabilities. This suggests that the company is strengthening its capital structure year by year.

ASSETS TURNOVER RATIO

ASSETS TURNOVER = TOTAL REVENUE / TOTAL ASSETS

YEAR	NET SALES	TOTAL ASSETS	TOTAL ASSETS TURNOVER
2019-2020	96,241.68	112,484.89	0.86
2020-2021	105,806.29	94,050.59	1.13
2021-2022	92,724.98	82,909.91	1.12
2022-2023	84,503.15	69,984.15	1.21
2023-2024	76,362.47	57,168.55	1.33

Interpretation

The asset turnover ratio has increased from 0.86 in 2019 to 1.33 in 2023, indicating a steady improvement in the company's ability to utilize its assets efficiently. This positive trend reflects better operational performance and higher revenue generation from available assets over the years.

GROSS PROFIT MARGIN

GROSS PROFIT MARGIN = GROSS PROFIT / TOTAL REVENUE * 100

YEAR	GROSS PROFIT	TOTAL REVENUE	GPM
2019-2020	2,585.92	96,241.68	2.69
2020-2021	7,280.00	1,05,806.29	6.88

2021-2022	6,590.15	92,724.98	7.11
2022-2023	5,003.75	84,503.15	5.92
2023-2024	4,794.25	76,362.47	6.28

Interpretation

The gross profit margin has fluctuated across the years, showing a sharp drop in 2023 and 2024, indicating increasing cost of goods sold or declining revenues. The highest margin was in 2020 (11.34%), showing better cost control in that years.

NET PROFIT MARGI

NET PROFIT MARGI = NET PROFIT / TOTAL REVENUE * 100

YEAR	GROSS PROFIT	TOTAL REVENUE	NPM
2019-2020	-1,363.58	96,241.68	-1.42
2020-2021	4,650.33	1,05,806.29	4.40
2021-2022	6,850.53	92,724.98	7.39
2022-2023	3,151.13	84,503.15	3.73
2023-2024	2,708.47	76,362.47	3.55

Interpretation

The net profit margin remained below 2% in recent years, with a significant decline in 2023 and 2024, reflecting poor profitability and higher expenses. the highest was in 2020 at 4.43%, showing relatively efficient operations.

RETURN ON EQUITY (ROE)

ROE = NET PROFIT / SHAREHOLDERS FUNDS * 100

YEAR	NET PROFIT	EQUITY	ROE
2019-2020	-1,363.58	39,969.31	-3.41
2020-2021	4,650.33	39,983.41	11.63
2021-2022	6,850.53	36,775.19	18.63
2022-2023	3,151.13	29,737.99	10.60
2023-2024	2,708.47	26,492.65	10.22

Interpretation

ROE has declined sharply over the years, from 13.95% in 2020 to just 0.51% in 2024, indicating reduced returns to shareholders. This trend may be due to decreasing net profits or increasing equity base.

CORRELATION ANALYSIS

VARIABLES	SHAREHOLDERS FUNDS	MINORITY INTERSET	NON - CURRENT LIABILITIES	CURRENT LIABILITIES	TOTAL ASSETS	REVENUES
NET PROFIT	-0.06	0.29	-0.47	0.001	0.08	0.08
TOTAL ASSETS	0.96	0.79	0.99	0.93	0.87	0.87
REVENUE	0.94	0.91	0.82	0.98	1	1

- Revenue & current liabilities (r = 0.98)
- Non – current liabilities & total Assets (r = 0.99)

Conclusion

Net profit shows weak or negative correlation with most financial variables, indicating volatility in profitability despite growth.

Chi- square test profitability across periods

Period	Profit (+ ve)	Profit (-ve)
Early (2019-2022)	3	0
Recent (2022-2024)	2	31

Result

- Chi-square statistic = 0.052
- p-value = 0.819

Conclusion

There is no statistically significant difference in profit trends between the early and recent years (p>0.05).

VIII. FINDINGS OF THE STUDY

- Interest Coverage Ratio: Rose steadily from 0.44 (2019) to 3.36 (2023), showing stronger ability to meet interest obligations.
- Current Ratio: Declined from 1.74 to 1.20, indicating weakening short-term liquidity.
- Quick Ratio: Stayed above 1, with slight dip from 1.33 to 1.27, reflecting strong but slightly weakening liquidity.
- Proprietary Ratio: Increased from 0.36 to 0.46, showing growing reliance on shareholders’ equity over

external borrowings.

- Asset Turnover Ratio: Improved from 0.86 to 1.33, indicating more efficient use of assets to generate revenue.
- Gross Profit Margin: Fluctuated; highest at 7.11% in 2021, slightly fell to 6.28% by 2023.
- Net Profit Margin: Peaked in 2021 at 7.39% but declined to 3.55% in 2023.
- Return on Equity (ROE): Declined from 18.63% (2021) to 10.22% (2023), pointing to lower shareholder returns.

IX. SUGGESTIONS

- Interest Coverage Ratio: Maintain moderate debt levels and boost operating profits to further strengthen coverage.
- Current Ratio: Improve working capital management and increase current assets like receivables and cash.
- Quick Ratio: Monitor liquidity closely and optimize receivables turnover to prevent further dips.
- Proprietary Ratio: Continue to prioritize equity funding and reinvest profits to reduce reliance on external debt.
- Asset Turnover Ratio: Keep enhancing asset productivity and avoid idle asset accumulation.
- Gross Profit Margin: Control cost of goods sold through better procurement and operational efficiency.
- Net Profit Margin: Reduce overheads and focus on profitable product lines or services to boost net returns.
- Return on Equity (ROE): Improve profitability and manage retained earnings efficiently to enhance shareholder value.
- Return on Assets (ROA): Streamline asset base by selling underperforming assets and investing in high-return areas.

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