

A Study on Financial Performance Analysis with Special Reference to K Lite Industries Private Limited, Ambattur

AKASHRAMANANAN P.A.A.

I.M.B.A.

Vel Tech Rangarajan Dr. Sagunthala R&D Institute of Science and Technology, India, Avadi, Chennai-600 062.

Dr. K. KOKILA

Assistant Professor, Department of Management Studies,

Vel Tech Rangarajan Dr. Sagunthala R&D Institute of Science and Technology, India, Avadi, Chennai-600 062

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ABSTRACT

Financial performance analysis is an essential aspect of evaluating a firm's operational efficiency, profitability, and financial stability. This study aims to assess the financial performance of a selected manufacturing organization by analyzing its liquidity, solvency, profitability, and activity positions over a defined period. The research is based on secondary data collected from financial statements such as the balance sheet and income statement. Analytical tools including ratio analysis, were used to interpret the data. The findings reveal that the organization maintains a satisfactory liquidity position and effective short-term financial management. However, profitability margins show fluctuations due to variations in operating expenses, and solvency ratios indicate a moderate long-term stability. The study concludes that consistent monitoring of key financial indicators, better cost control, and efficient utilization of assets are crucial for improving profitability and ensuring sustainable financial performance.

I. INTRODUCTION

The global economy is undergoing significant shifts, with India emerging as a key player on the international stage. This growth trajectory is fueled by a combination of factors, including a young and burgeoning population, increasing urbanization, rising disposable incomes, and the expansion of key sectors like real estate, infrastructure, and automotive. The Indian manufacturing sector, in particular, is gaining traction with initiatives like "Make in India" encouraging domestic production and reducing reliance on imports.

This environment presents both opportunities and challenges for businesses operating within the country. Within this dynamic landscape, the Indian lighting industry is experiencing a profound transformation.

Against this backdrop, K-Lite Industries, established in 1977 and operating from Chennai, has emerged as a significant player in the design, development, and manufacture of high-quality architectural luminaries and lighting poles. The company boasts a strong manufacturing infrastructure, including facilities in Chennai and Bhopal, and offers a diverse range of products for various applications, including indoor, outdoor, industrial, and smart city lighting. Understanding the financial performance of companies like K-Lite Industries is crucial in assessing their ability to navigate the complexities of the market, capitalize on opportunities, and sustain long-term growth. Financial analysis provides critical insights into profitability, liquidity, solvency, and operational efficiency, empowering stakeholders to make informed decisions about investments, expansion, and strategic direction. This study will therefore delve into the financial performance of K-Lite Industries Private Limited, examining key financial metrics and trends over a five-year period to offer a comprehensive assessment of its financial health and future prospects.

Statement of the Problem

K-Lite Industries, despite its strong reputation and market leadership in the lighting sector, faces several critical challenges that impact its growth and competitiveness. These include intense market competition, rapid technological advancements requiring continuous innovation, dependence on imported components leading to supply chain vulnerabilities, and the need for greater infrastructure automation. Additionally, limited market penetration in specialized sectors, evolving customer preferences for smart and sustainable lighting solutions, and the ongoing demand for improved environmental sustainability present complex issues that require strategic evaluation and resolution.

II. Review Of Literature

Ramesh and Kumar (2019) conducted a study on the financial performance of Indian electronics and lighting manufacturers. They highlighted that financial ratio analysis serves as a critical tool to evaluate profitability, liquidity, and solvency. The study concluded that efficient financial management directly enhances overall organizational stability and competitiveness in the manufacturing sector.

Saxena and Mehta (2020) analyzed the financial structure and growth performance of small and medium manufacturing enterprises in India, emphasizing that consistent monitoring of liquidity and operational efficiency ratios contributes to sustainable profitability and stronger market resilience.

Gautam (2020) focused on LED manufacturing firms and identified that investment in technology and R&D significantly influences profit margins and asset utilization. The study also noted that dependency on imported components often affects liquidity ratios due to cost fluctuations and currency exposure.

Anand and Pillai (2021) examined the financial efficiency of Indian industrial product manufacturers. Their research revealed that firms adopting automation and lean production systems showed improved return on assets and better inventory turnover ratios, reflecting efficient resource utilization.

Research Gap

The literature on India's lighting and manufacturing sector mainly depicts the financial performance of the sector at large. Still, it lacks the depth of the company perspective, particularly for a firm like K-Lite Industries Private Limited. The following points summarize the research gaps that have been identified:

- **Firm-Level Analysis:** There is a tendency to concentrate research on the whole manufacturing or electronics industry and not so much on the individual lighting companies. Empirical research that investigates financial performance at the level of individual firms such as K-Lite is scarce.
- **Component Dependency:** Very few studies shed light on the financial consequences of the LED component imports that the firms depend on and the effect of such dependency on liquidity, cost structure, and profitability.

- **Technology and Automation Impact:** There is a scarcity of research that measures the impact of technology upgrades, such as smart lighting and automation, on financial efficiency and return on investment in the lighting industry.
- **Working Capital Management:** The number of researches that delve into the working capital components—inventory turnover, receivables, and payables - and their impact on short-term liquidity and operational efficiency in LED manufacturing firms is very limited.

Objectives of the Study

To analyze the financial performance of K-Lite Industries Private Limited, focusing on its efficiency, profitability, liquidity, and overall financial health over the selected study period.

Research Methodology

According to the source, Research is a "scientific and systematic search for relevant information on a particular subject" (Dr. S. Jayaraman). It is a formalized process which is aimed at locating, analyzing, and interpreting the data that are relevant to solving the problem or achieving the objective that has been set.

Research Design

Research design is a planned framework for gathering, analyzing, and interpreting data that is in line with the objectives of the study. It is the main idea that the researcher uses to figure out the problem with accuracy and efficiency by using the evidence obtained.

The descriptive part is committed to presenting and explaining the financial position and performance of K-Lite Industries Private Limited based on the figures given in the financial statements. This design allows the use of both quantitative measurement and qualitative interpretation of financial performance indicators.

Type of Data:

The study implements secondary data which is obtained from the five years audited financial reports (FY 2018–19 to FY 2022–23).

Sources of Data:

The audited annual reports of K-Lite Industries Private Limited (Balance Sheet, Profit & Loss Account, and Cash Flow Statement).

Sampling Method

The research employs a census sampling method, as it encompasses the entire financial data of K-Lite Industries Private Limited for the five years period (FY 2018–19 to FY 2022–23). By doing so, the study covers the company's financial performance in detail and no data points are left out.

Sample Size

The sample size in this research is the five financial years of the secondary data that have been analyzed — from FY 2018–19 to FY 2022–23. Every year’s financial statement is an individual data point of the study period.

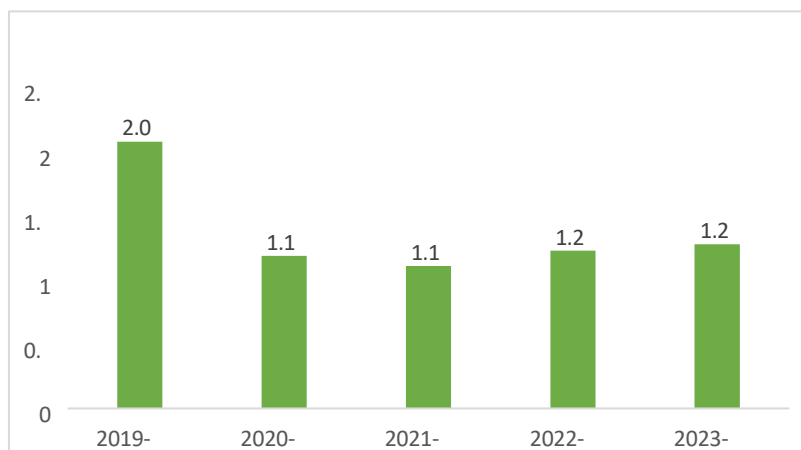
Period of Study

Formula:

$$\text{Current Ratio} = \text{Current Asset} / \text{Current Liabilities.}$$

Current Ratio

S. No.	YEARS	CURRENT ASSET (A)	CURRENT LIABILITIES (B)	CURRENT RATIO (A/B)
1	2019-2020	3,924.83	1,884.19	2.08:1
2	2020-2021	2,061.18	1,735.96	1.19:1
3	2021-2022	1,973.54	1,784.35	1.11:1
4	2022-2023	2,879.03	2,345.52	1.23:1
5	2023-2024	5,781.43	4,523.70	1.28:1



Current Ratio

Inference:

From the above graph it shows the current ratio of this company in 2019-2020 is 2.08 and the current

The current study is a longitudinal analysis of the financial performance of K-Lite Industries Private Limited covering five financial years from FY 2019–20 to FY 2023–24. This period allows for a comprehensive examination of the company's financial position, the detection of profitability, liquidity, solvency, and operational efficiency trends, as well as the assessment of its financial stability and growth over the chosen timeframe.

Data Analysis and Interpretation

Current Ratio:

Current ratio is an essential ratio for estimating the short-term financial solvency of a business. 2: 1 am considered an ideal current ratio for a business.

ratio decreases in 2020-2021 is 1.19 and the current ratio decreases in 2021-2022 is 1.11 and the current ratio increases in 2022-2023 is 1.23 and the current

ratio increases in 2023-2024 is 1.28.

Working Capital Turnover Ratio:

- A measurement comparing the depletion of working capital to the generation of sales over a given period.
- The ratio consists of two components i.e. total revenue and net working capital. The net working capital is calculated by deducting current liabilities from

current assets.

- The working capital turnover ratio measures the efficiency with which the working capital is being used by a firm. A high ratio indicates efficient utilization of working capital and a low ratio indicates otherwise. But a very high working capital turnover ratio may also mean lack of sufficient Working capital, which is not a good situation.

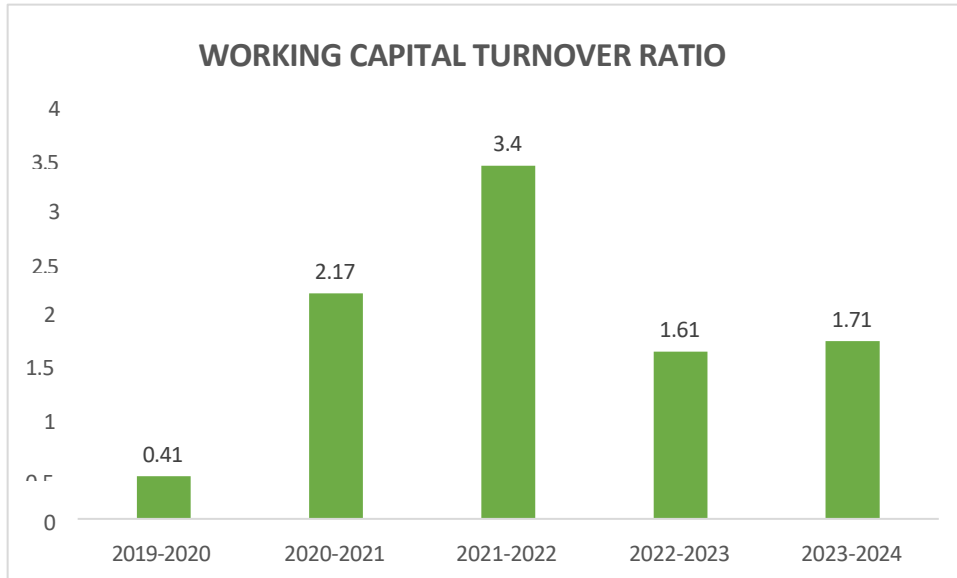
Formula:

$$\text{Working Capital Turnover Ratio} = \text{Total Revenue} / \text{Net Working Capital.}$$

Working Capital Turnover Ratio (Rs. In Cr)

S. No.	YEARS	TOTAL REVENUE (A)	NET WORKING CAPITAL (B)	WCTR (A/B)
1	2019-2020	842.66	2,040.64	0.41:1
2	2020-2021	705.81	325.22	2.17:1
3	2021-2022	643.74	189.19	3.40:1
4	2022-2023	860.08	533.51	1.61:1
5	2023-2024	2,150.52	1,257.73	1.71:1

Working Capital Turnover Ratio



Inference:

From the above graph it shows the Working capital turnover ratio of this company in 2019-2020 is 0.41 and the WCTR increases in 2020-2021 is 2.17 and the WCTR increases in 2021-2022 is 3.40 and the WCTR decreases in 2022-2023 is 1.61 and the WCTR increases in 2023-2024 is 1.71.

Gross Profit Ratio:

Gross profit ratio (GP ratio) is a financial ratio that measures the performance and efficiency of a business. Gross profit ratio as a percentage of revenue from operations is computed to have an idea about Gross Margin. It is calculated using the following.

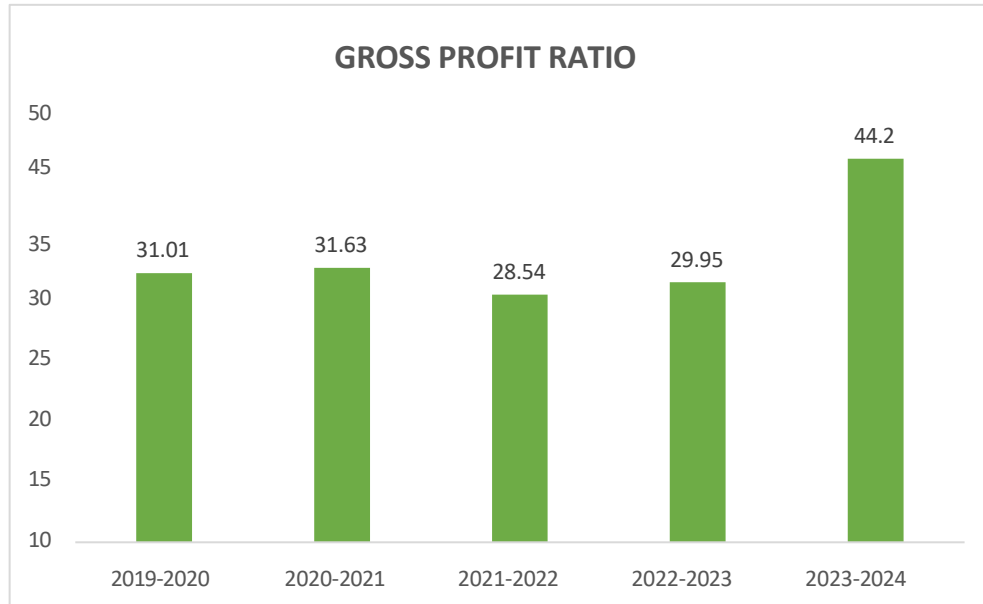
Formula:

$$\text{Gross Profit Ratio} = \left\{ \frac{\text{Gross profit (i.e. profit before tax)}}{\text{Revenue from operations}} \right\} \times 100$$

Gross Profit Ratio (Rs. in Cr)

S. No.	YEAR	Gross Profit (A)	Total Operating Revenue (B)	Ratio ((A/B)/100)
1	2019-2020	220.28	710.42	31.01
2	2020-2021	215.27	680.67	31.63
3	2021-2022	198.67	696.11	28.54
4	2022-2023	232.33	775.70	29.95
5	2023-2024	468.77	2,160.48	44.20

Gross Profit Ratio



Inference:

From the above graph it shows the Gross profit ratio of this company in 2019 -2020 is 31.01 and the Gross Profit Ratio increases in 2020-2021 is 31.63 and the Gross Profit Ratio decreases in 2021-2022 is 28.54 and the Gross Profit Ratio increases in 2022-2023 is 29.95 and the Gross Profit, Ratio increases in 2023 -2024 is 44.20.

Net Profit Ratio (Rs. in Cr):

The net profitability ratio, also referred to as the net profit margin, is a way to measure a business financial performance or profitability with expenses, including interests and taxes. Generally, net profit refers to profit after tax (PAT).

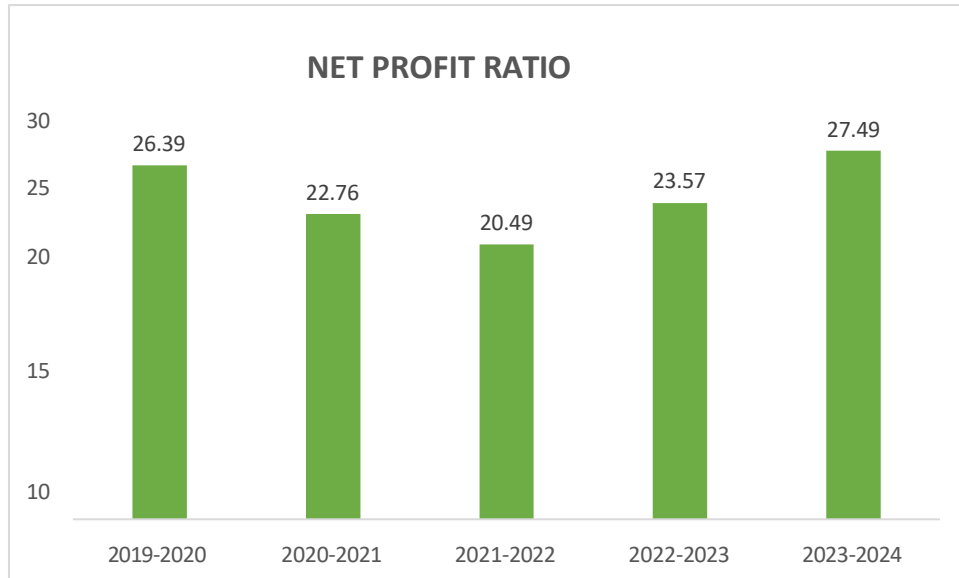
Formula:

$$\text{Net Profit Ratio} = (\text{Net Profit} / \text{Revenue from Operation}) \times 100$$

Net Profit Ratio (Rs. In Cr)

S.NO	Years	Net Profit (A)	Total operating Revenue (B)	Ratio (A/B)x100
1	2019-2020	187.51	710.42	26.39
2	2020-2021	154.94	680.67	22.76
3	2021-2022	142.62	696.11	20.49
4	2022-2023	182.84	775.7	23.57
5	2023-2024	594.11	2,160.48	27.49

Net Profit Ratio



Inference:

From the above graph it shows the Net profit ratio of this company in 2019-2020 is 26.39 and the Net Profit Ratio decreases in 2020 -2021 is 22.76 and the Net Profit Ratio decreases in 2021-2022 is 20.49 and the Net Profit Ratio increases in 2022-2023 is 23.57 and the NetProfit Ratio increases in 2023 -2024 is 27.

shows how efficiently a company generates profits from the funds invested by its shareholders. ROE is expressed as a percentage. NCTR is a key indicator of a company's financial health and management's ability to use shareholders' investments effectively to generate profits.

A higher NCTR generally indicates better efficiency and profitability. However, it's important to note that the ROE should be analyzed in context with the industry and compared to peers, as what is considered a good ROE can vary across sectors.

Net Capital Turnover Ratio (Rs. In cr):

The Net Capital Turnover ratio is a financial metric that measures the profitability of a company in relation to its shareholders' equity. It

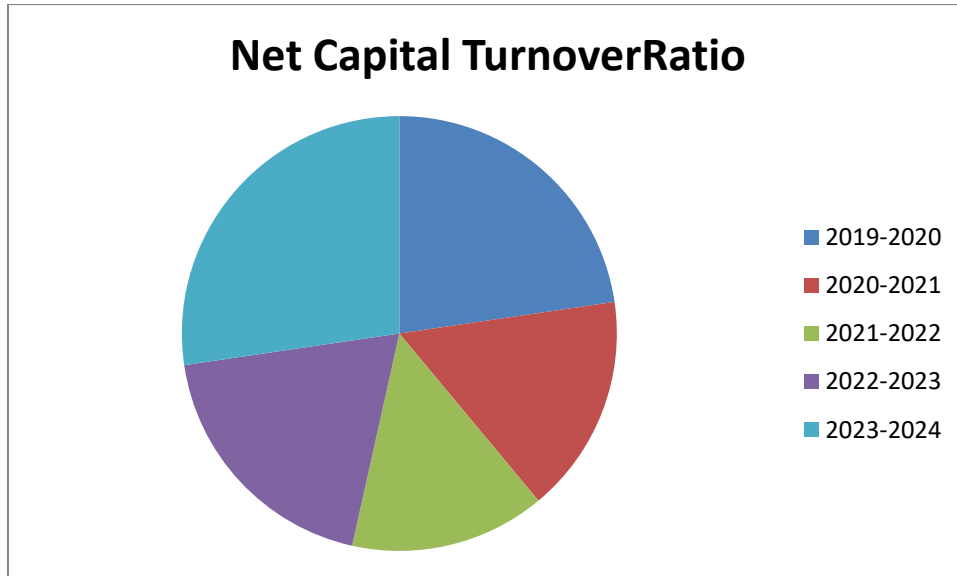
Formula:

$$\text{Net Capital Turnover Ratio} = \frac{\text{Net Sales}}{\text{Total Shareholders Equity}}$$

Net Capital Turnover Ratio (Rs. In Cr)

S. No.	Year	Total Assets	Total Equity	Ratio
1	2019-2020	4749.27	1209.80	3.9
2	2020-2021	2874.95	1005.48	2.8
3	2021-2022	2797.98	1105.65	2.5
4	2022-2023	3708.24	1105.36	3.3
5	2023-2024	6471.33	1354.73	4.7

Net Capital Turnover Ratio



Inference:

From the above graph it shows the Net Capital Turnover ratio of this company in 2019-2020 is 3.9 and the Net Capital Turnover ratio decreases in 2020 -2021 is 2.8 and the Net Capital Turnover ratio decreases in 2021- 2022 is 2.5 and the Net Capital Turnover ratio increases in 2022-2023 is 3.3 and the Quick ratio increases in 2023 -2024 is 4.7.

calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets. A high debt/equity ratio generally means that a company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense. If a lot of debt is used to finance increased operations (high debt to equity), the company could potentially generate more earnings than it would have without this outside financing.

Debt to Equity Ratio (Rs. In Cr):

A measure of a company's financial leverage

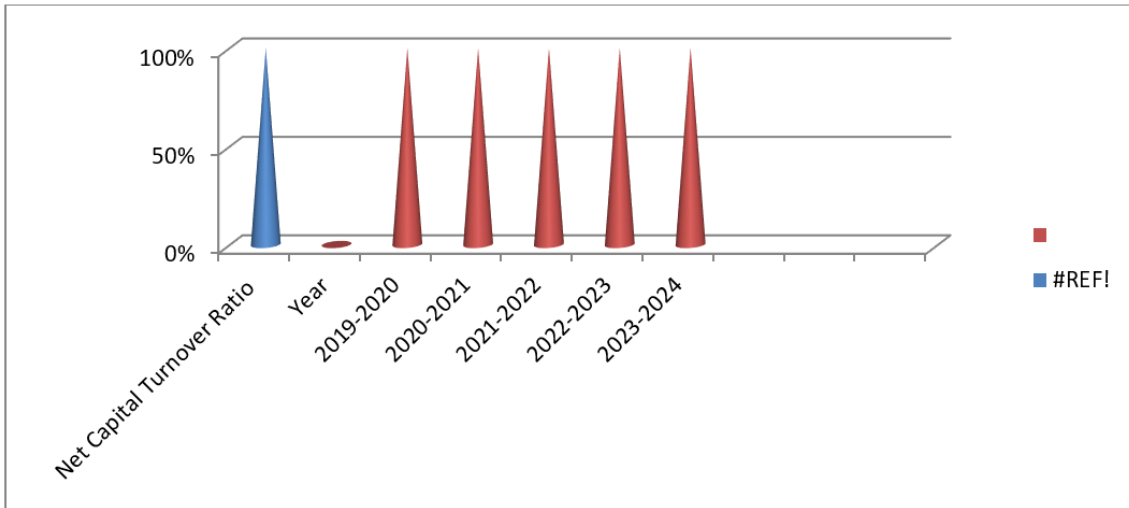
Formula:

$$\text{Debt to Equity} = \frac{\text{Total Debt}}{\text{Total Shareholder Equity}}$$

Debt to Equity Ratio (Rs. In Cr)

S.No.	Year	Total Debt	Total Equity	Ratio
1	2019-2020	(4,749.27-1,209.80) = 3,539.47	1,209.80	2.92
2	2020-2021	(2,874.95-1,005.48) = 1,869.47	1,005.48	1.86
3	2021-2022	(2,797.98-1,105.65) = 1,692.33	1,105.65	1.53
4	2022-2023	(3,708.24-1,105.36) = 2,602.88	1,105.36	2.36
5	2023-2024	(6,471.33-1,354.73) = 5,116.6	1,354.73	3.78

Debt to Equity Ratio



Debt to Equity Ratio (Rs. In Cr)

Inference:

From the above graph it shows the Debt-to-Equity ratio of this company in 2019-2020 is 2.92 and the Debt-to-Equity ratio decreases in 2020-2021 is 1.86 and the Debt-to-Equity ratio decreases in 2021-2022 is 1.53 and the Debt-to-Equity ratio increases in 2022-2023 is 2.36 and the Debt-to-Equity ratio increases in 2023-2024 is 3.78.

III. Summary of Findings

- The current ratio decreased from 2.08 in 2019-2020 to 1.27 in 2023-2024, indicating a decline in the company's short-term solvency.
- In current ratio a sharp decline occurred in FY 2020-21 and FY 2021-22, reaching 1.11:1, suggesting tighter liquidity.
- In Working Capital Turnover Ratio (WCTR) a significant improvement occurred in FY 2020-21 and FY 2021-22, reaching 3.40:1, suggesting enhanced efficiency in utilizing working capital to drive sales.
- In Gross Profit Ratio - Between FY 2019-20 and FY 2021-22, the ratio showed a slight decline from 31.01% to 28.54%, possibly due to higher input costs or competitive pricing pressures.
- In Gross Profit Ratio - From FY 2022-23 onward, the ratio improved notably, reaching 44.20% in FY 2023-24, indicating stronger cost control, increased operational efficiency, and improved product mix.
- The Net Profit Ratio declined from 26.39% in FY 2019-20 to 20.49% in FY 2021-22, indicating temporary margin pressures—

possibly due to higher costs or reduced sales during that period.

- The Net Capital Turnover Ratio (NCTR) declined from 3.9 in FY 2019-20 to 2.5 in FY 2021-22, suggesting reduced efficiency in asset utilization during that period—likely due to operational slowdowns or higher asset base relative to returns.
- The Debt-to-Equity Ratio (D/E) declined steadily to 1.53 in FY 2021-22, reflecting reduced dependence on external borrowings and improved equity strength

IV. Suggestions and Recommendations

- Closely monitor and optimize inventory levels to avoid tying up too much working capital.
- Adopt standardized payment terms, send invoices promptly, and incentivize timely payments from customers to improve cash flow.
- Automate and stream line the accounts receivable process to reduce manual efforts and delays.
- Carefully analyze and identify opportunities to reduce operating expenses, such as R&D, rent, equipment, and sales/marketing costs.
- Implement cost-saving measures without compromising profitability to preserve profit margins.
- Ensure accurate and timely preparation of financial statements, including the balance sheet, income statement, and cash flow statement.
- Regularly conduct in-depth financial performance analysis to identify trends, strengths, and areas for improvement.

- Benchmark the company's financial ratios and metrics against industry standards to identify competitive positioning.
- Utilize the insights gained from financial performance analysis to support strategic decision-making, such as investment decisions, mergers and acquisitions, or operational changes.
- Engage with various stakeholders, including managers, investors, creditors, and regulators, to align financial decisions with their interests and requirements.
- Explore opportunities to automate and digitize financial processes, such as accounts receivable, to improve efficiency and reduce manual errors.

V. Conclusion

This study aimed to analyze the financial performance of K-Lite Industries Private Limited, focusing on its financial health, trends, and influencing factors between FY 2018–19 and FY 2022–23. The analysis revealed a company exhibiting positive financial momentum, driven by its focus on high-quality LED lighting solutions and alignment with prevailing market trends and government initiatives.

K-Lite Industries appears to be in a financially sound position, supported by its strong product offerings, strategic market positioning, and the ongoing growth of the Indian lighting industry. The company's commitment to quality, innovation, and sustainability, along with its ability to adapt to changing market dynamics, are crucial for its sustained success in the evolving lighting sector.

To maintain its competitive edge and achieve sustainable growth, K-Lite should:

- Prioritize continuous innovation in smart lighting technologies
- Enhance domestic manufacturing capabilities
- Explore specialized market segments
- Strengthen its distribution channels

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This section lists the key sources used to compile information and conduct the financial performance analysis of K-Lite Industries Private Limited. The references primarily consist of publicly available company information, industry reports, academic literature on financial analysis, and government publications related to the Indian lighting market.

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