

Financial Health Assessment of Finetech Auto Components Pvt Ltd.

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Abstract

This study focuses on the financial health assessment as an essential tool for evaluating the financial stability and performance of an organization. It examines how systematic financial analysis helps in understanding liquidity, profitability, and solvency positions, thereby supporting effective decision-making. The research is based on secondary data collected from Finetech Auto Components Pvt Ltd over a period of five years. Various analytical tools such as ratio analysis and trend analysis are used to evaluate financial performance. The study identifies key financial issues, including fluctuations in liquidity and inconsistency in profitability. It concludes that effective financial management and continuous monitoring of financial performance are crucial for ensuring long-term sustainability and growth of the organization.

Keywords: Decision-Making, Financial Health Assessment, Financial Management, Financial Performance, Financial Stability, Liquidity, Profitability, Ratio Analysis, Solvency, Sustainability, Trend Analysis

Introduction

Financial health assessment is the process of evaluating an organization's financial performance, stability, and efficiency over a period of time. It involves analyzing financial statements such as the balance sheet, income statement, and cash flow statement to understand income, expenses, assets, and liabilities, and to identify areas for improvement. It is important for effective decision-making and planning. Tools like ratio analysis, trend analysis, and cash flow analysis help measure liquidity, profitability, and solvency, supporting budgeting, cost control, and strategic decisions. Regular analysis also helps detect financial problems at an early stage. Financial health assessment is useful for investors, lenders, and regulatory bodies to evaluate risk, return, and creditworthiness. It improves transparency and builds confidence among stakeholders. Overall, it supports better financial management and long-term growth and sustainability of the organization.

Literature Review

Reshmi Manna (2025) The study evaluates employees' financial fitness and the impact of training programs. It finds that many employees initially had low financial fitness, but training significantly improved their financial awareness and well-being.

Regita Vyonda & Sanda Patisia Komalasari (2025) The study analyzes financial performance using ratio analysis. It concludes that the company's financial condition is unstable and categorized as unhealthy, recommending better efficiency and debt management.

Do Duc Trung, Branislav Dudić, Hoang Tien Dung, & Nguyen Xuan Truong (2024) The study applies MCDM techniques like RAM, PSI, and SRP to evaluate bank financial health. Results show consistent rankings and effectiveness in identifying strong and weak banks. It supports better decision-making and risk management.

Okeoghene Elebe, Chikaome Chimara Imediegwu, & Opeyemi Morenike Filani (2021) The study examines the role of predictive analytics in improving hospital financial health. It highlights better revenue cycle management, reduction in bad debts, and improved cash flow forecasting. However, challenges such as data issues and compliance are also identified.

Jarmila Horváthová, Martina Mokrišová, & Igor Petruška (2021) The study compares neural networks and discriminant analysis for predicting financial health of companies. It uses financial indicators and evaluates accuracy through statistical measures. The findings reveal that neural networks are more reliable, and high indebtedness is a major factor influencing financial instability.

Research Methodology

Research Methodology for a finance project refers to the systematic and scientific framework adopted by the researcher to plan and conduct the study in order to achieve its objectives. The study ensures research design, nature of the study, sources of data and sampling methods used by the researcher to collect relevant and reliable financial information. The methodology provides a clear explanation of how data is gathered and ensures that the research process is carried out in an organized, objective and unbiased manner, thereby enhancing the credibility and validity of the study.

Objective of the Study

- To assess the company's ability to meet short-term and long-term financial obligations.
- To evaluate the profitability position and liquidity position of the company from the available statements.
- To provide insights that can guide management in making better financial decisions and planning for sustainable growth.

Data Analysis and Interpretation

Ratio Analysis

Ratio analysis is a technique used to evaluate a company's financial performance by examining relationships between financial statement figures. It helps assess profitability, liquidity, and solvency, and allows comparison over time or with other firms, highlighting strengths and weaknesses.

Current Ratio

Table 1.1 Current Ratio

Year	Ratio
2019-2020	1.40

2020-2021	1.22
2021-2022	1.08
2022-2023	1.40
2023-2024	1.31

Source: Annual Reports of Finetech

The current ratio of Finetech Enterprises from 2019–2020 to 2023–2024 shows slight fluctuations but overall stability. It decreased from 1.40 to 1.08 between 2019–2022, indicating a mild decline in liquidity, then improved to 1.40 in 2022–2023, and slightly fell to 1.31 in 2023–2024. Overall, the ratio remained above 1, showing a satisfactory ability to meet short-term liabilities.

Quick Ratio

Table 1.2 Quick Ratio

Year	Ratio
2019-2020	0.87
2020-2021	0.89
2021-2022	0.73
2022-2023	1.08
2023-2024	0.93

Source: Annual Reports of Finetech

The quick ratio of Finetech Enterprises from 2019–2020 to 2023–2024 shows fluctuations and a generally weak liquidity position. It remained below 1 from 2019–2022, improved to 1.08 in 2022–2023, and slightly declined to 0.93 in 2023–2024. Overall, liquidity has improved but is not consistently strong.

Net Profit Ratio

Table 1.3 Net Profit Ratio

Year	Ratio
2019-2020	0.09
2020-2021	0.08
2021-2022	0.06
2022-2023	0.04
2023-2024	0.03

Source: Annual Reports of Finetech

The net profit ratio of Finetech Enterprises from 2019–2020 to 2023–2024 shows a continuous decline from 0.09 to 0.03. This indicates that despite increasing sales, profitability has decreased due to rising expenses or reduced efficiency.

Debt Equity Ratio

Table 1.4 Debt Equity Ratio

Year	Ratio
2019-2020	0.55
2020-2021	3.91

2021-2022	2.83
2022-2023	3.62
2023-2024	2.20

Source: Annual Reports of Finetech

The debt-equity ratio of Finetech Enterprises from 2019–2020 to 2023–2024 shows major fluctuations. It increased sharply from 0.55 to 3.91, indicating high reliance on debt, remained high in the following years, and then reduced to 2.20 in 2023–2024. Overall, the company shifted from a low-risk position to high leverage and is now moving towards a more balanced financial structure.

Trend Analysis

Trend analysis is the process of analyzing data over a period of time to identify patterns or changes. It helps in understanding how values such as sales, revenue, and expenses move over time. The analysis shows whether there is an increasing, decreasing, or stable trend. It is useful for evaluating past performance of a business or activity. It also helps in forecasting future outcomes and making better decisions.

Trend Analysis for Revenue

Table 1.5 Revenue Trend

Year	Trend analysis
2020	100.00
2021	105.87
2022	164.73
2023	327.79
2024	242.66

Source: Annual Reports of Finetech

The revenue trend of Finetech Enterprises from 2020 to 2024 shows strong overall growth with some fluctuations. Revenue increased steadily, reached a peak in 2023, and then declined slightly in 2024. Overall, the trend indicates growth with a minor correction after rapid expansion.

Trend Analysis for Sales

Table 1.6 Sales Trend

Year	Trend analysis
2020	100.00
2021	103.66
2022	112.65
2023	146.02
2024	85.81

Source: Annual Reports of Finetech

The sales trend of Finetech Enterprises from 2020 to 2024 shows strong growth with some fluctuations. Sales increased significantly and peaked in 2023, followed by a decline in 2024. Overall, the company shows rapid expansion with a slight correction, while still maintaining higher sales than the base year.

Trend Analysis for Profit

Table 1.7 Profit Trend

Year	Trend analysis
2020	100.00
2021	112.28
2022	172.15
2023	340.24
2024	224.76

Source: Annual Reports of Finetech

The profit trend of Finetech Enterprises from 2020 to 2024 shows gradual growth up to 2023, followed by a sharp decline in 2024. Although profits increased steadily and peaked in 2023, the drop in 2024 indicates reduced profitability and the need for better cost control and efficiency.

Findings of the Study

- The Current Ratio of Finetech Enterprises remained consistently above 1 ranging from 1.08 to 1.40, indicating a satisfactory ability to meet short-term liabilities, though slight fluctuations were observed.
- The Quick Ratio showed inconsistency between 0.73 and 1.08, remaining below the ideal level in most years, which indicates insufficient immediate liquidity without relying on inventory.
- The Net Profit Ratio declined steadily from (9%) in 2019 - 2020 to (3%) in 2023 - 2024, highlighting decreasing profitability despite growth in revenue and sales.
- The Debt-Equity Ratio increased sharply from 0.55 to 3.91 in 2020 - 2021, reflecting heavy reliance on borrowed funds, but improved to 2.20 in 2023 - 2024, showing partial financial stabilization.
- The company experienced rapid expansion between 2020–2023, with total assets and liabilities increasing by up to (60.33%), indicating aggressive growth and investment strategies.
- In 2023 - 2024, total assets and liabilities decreased by (35.16%), indicating a shift from expansion to consolidation and improved financial discipline.
- Revenue trend analysis shows a strong increase from base year (100%) to (327.79%) in 2023, followed by a decline to (242.66%) in 2024, indicating correction after rapid growth.
- Sales trend also peaked at 340.24% in 2023 and declined by (33.9% in 2024, though still remained significantly above the base year, reflecting overall growth.
- Profit trend increased steadily to (146.02%) in 2023, but dropped sharply to (85.81%) in 2024, falling below the base year and indicating pressure on profit margins.

Suggestions of the Study

- To focus on keeping its current ratio carefully managing its usual finances. By ensuring that short-term assets are sufficient to cover short-term obligations, the company can maintain a stable financial position and avoid liquidity issues.
- The company may improve its quick ratio by increasing cash reserves and reducing dependence on inventory, helps the company handle its immediate expenses more easily and maintain a better short-term liquidity position.
- To address declining profitability, the firm can control operating costs and improve pricing strategies to enhance the net profit margin.
- The firm can continue its financial consolidation approach by reducing unnecessary assets and liabilities to maintain efficiency and stability.

- To sustain revenue growth, the company may focus on market diversification, product innovation, and customer expansion strategies.
- The organization can ensure consistent sales growth by strengthening marketing efforts and maintaining stable demand across years.
- To prevent fluctuations in profit, the firm can improve operational efficiency and cost management, ensuring profits grow in line with sales.

Conclusion

The financial analysis of Finetech Enterprises from 2019–2020 to 2023–2024 reveals a phase of rapid growth, financial pressure and gradual stabilization. The company maintained a satisfactory liquidity position through its current ratio, though fluctuations in the quick ratio indicated inconsistent immediate liquidity. Profitability declined despite increases in sales and revenue, mainly due to rising operational costs and reduced efficiency. The debt-equity ratio also reflected heavy reliance on external borrowings during the expansion period, increasing financial risk. Overall, the study highlights the importance of effective cost control, efficient resource utilization and proper financial management to achieve sustainable profitability and long-term financial stability.

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