

# A Study on Financial Analysis of Kothari Sugar and Chemicals Ltd

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<https://doi.org/10.55041/ijstmt.v2i5.470>

**Cite this Article:** N, A. (2026). A Study on Financial Analysis of Kothari Sugar and Chemicals Ltd. International Journal of Science, Strategic Management and Technology, 02(05). <https://doi.org/10.55041/ijstmt.v2i5.470>



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## ABSTRACT

Financial analysis is an important process that helps evaluate the financial strength, operational efficiency, profitability, and overall performance of an organization. The present study focuses on the financial analysis of Kothari Sugar and Chemicals Ltd, one of the leading companies in the Indian sugar industry. The study aims to analyze the financial position of the company by using various financial tools and techniques such as ratio analysis, trend analysis, comparative financial statements, and common-size analysis.

The study mainly relies on secondary data collected from annual reports, financial statements, company publications, and other financial sources. Financial analysis helps in understanding the company's liquidity position, profitability, solvency, and efficiency over a specific period. The findings of the study provide useful information regarding the company's financial performance and support decision-making for management, investors, creditors, and stakeholders.

The study also identifies the strengths and weaknesses of the company and provides suggestions for improving financial performance and long-term growth.

## INTRODUCTION

Financial analysis refers to the process of evaluating a company's financial statements to understand its financial health and operational efficiency. Financial analysis helps in assessing the profitability, liquidity, solvency, and overall performance of an organization. It provides valuable information to investors, management, creditors, and other stakeholders for effective decision-making.

In today's competitive business environment, financial analysis has become an essential component of business management. Companies require proper financial planning and evaluation to ensure growth and sustainability. Financial statements such as the Balance Sheet, Profit and Loss Account, and Cash Flow Statement provide useful information regarding the company's performance.

The Indian sugar industry plays an important role in the country's economy. India is one of the largest producers and consumers of sugar globally. The sugar industry contributes significantly to employment generation, agricultural

development, and industrial growth. However, the industry faces several challenges including fluctuating sugar prices, government regulations, changing market conditions, and increasing production costs.

Kothari Sugar and Chemicals Ltd is a prominent company operating in the sugar industry. The company is engaged in sugar manufacturing and related activities including distillery operations and power generation. Financial analysis of the company helps determine its efficiency and financial strength over a specific period.

The study on financial analysis of Kothari Sugar and Chemicals Ltd helps understand how efficiently the company utilizes its resources and manages its financial activities.

## LITERATURE REVIEW

Literature review provides a theoretical background for the study by reviewing previous research and studies related to financial analysis.

Pandey (2016) emphasized that financial analysis helps identify strengths and weaknesses of an organization and assists in managerial decision-making.

Khan and Jain (2018) explained that ratio analysis is an important tool for evaluating liquidity, profitability, and solvency of business organizations.

Gupta (2019) stated that profitability ratios play a major role in measuring operational efficiency and long-term sustainability of a company.

Sharma and Kumar (2020) found that financial statement analysis enables investors to understand the company's growth and performance trends.

Chandra (2017) concluded that trend analysis helps identify the growth pattern and predict future financial performance.

The review of previous studies indicates that financial analysis is essential for evaluating company performance and making effective financial decisions.

The study adopts a descriptive research design because it aims to analyze and interpret the financial performance of Kothari Sugar and Chemicals Ltd.

## Research Objectives

### Primary Objective

The primary objective of this study is to analyze the financial performance of Kothari Sugar and Chemicals Limited and evaluate its financial position, profitability, operational efficiency, and overall financial health during the study period.

### Specific Objectives

#### 1. To analyze the financial performance of Kothari Sugar and Chemicals Ltd during the study period

This objective aims to examine the overall financial performance of the company by analyzing its financial statements over a specified period. The study helps in understanding the growth and financial condition of the company and identifies changes in its financial position over time.

#### 2. To study the profitability position of the company

Profitability is an important indicator of a company's success and operational efficiency. This objective focuses on analyzing the company's ability to generate profits through various profitability ratios such as Gross Profit Ratio, Net Profit Ratio, Operating Profit Ratio, and Return on Investment. It helps determine whether the company is effectively utilizing its resources to earn profits.

### **3. To examine the liquidity position of the company**

Liquidity refers to the company's ability to meet its short-term obligations and liabilities. This objective aims to evaluate the liquidity status of the company using ratios such as Current Ratio and Quick Ratio. A good liquidity position ensures smooth business operations and financial stability.

### **4. To evaluate the solvency position of the company**

Solvency indicates the ability of a company to meet its long-term financial obligations. This objective focuses on analyzing the debt position and financial stability of the company using ratios such as Debt-Equity Ratio and Proprietary Ratio. It helps determine whether the company is financially sound in the long run.

### **5. To analyze the operational efficiency of the company**

Operational efficiency reflects how effectively the company utilizes its resources for business activities. This objective seeks to examine the company's efficiency using activity ratios such as Inventory Turnover Ratio, Working Capital Turnover Ratio, and Asset Turnover Ratio.

### **6. To study the trend of sales, expenses, assets, and liabilities of the company**

This objective aims to identify the changes and trends in major financial components over different accounting periods. Trend analysis helps in understanding whether the company's financial performance is improving or declining over time.

### **7. To understand the capital structure of the company**

Capital structure refers to the proportion of debt and equity used for financing business activities. This objective seeks to evaluate the company's financing decisions and determine whether the existing capital structure is appropriate for maintaining financial stability.

### **8. To assess the strengths and weaknesses of the financial performance of the company**

This objective aims to identify the positive and negative aspects of the company's financial condition. It helps in understanding areas where the company performs well and areas requiring improvement.

### **9. To compare the financial performance of the company over different financial years**

Comparative analysis helps in measuring changes in financial performance across various years. This objective aims to compare financial statements and identify fluctuations in revenue, profit, expenses, and assets.

### **10. To provide suitable suggestions and recommendations for improving financial performance**

Based on the findings and analysis of the study, this objective aims to suggest measures that can improve profitability, liquidity, efficiency, and overall financial performance of the company.

### **11. To examine the relationship between financial indicators and company performance**

This objective focuses on understanding how different financial indicators such as liquidity, profitability, and solvency affect the overall growth and performance of the company.

### **12. To evaluate the financial health and future sustainability of the company**

The purpose of this objective is to assess the company's long-term financial strength and its ability to maintain growth and stability in the future.

These objectives collectively help in providing a comprehensive analysis of the financial performance of Kothari Sugar and Chemicals Ltd and assist in drawing meaningful conclusions about the company's financial condition.

## Research Methodology

Research methodology refers to the systematic process adopted to collect, analyze, and interpret data to achieve the objectives of the study. It provides a scientific framework for conducting the research in an organized and reliable manner. The present study on “**A Study on Financial Analysis of Kothari Sugar and Chemicals Ltd**” aims to evaluate the financial performance and financial position of the company using various financial analysis tools and techniques.

## Research Design

The study adopts a **descriptive and analytical research design**. Descriptive research helps in presenting and describing the financial position of the company, while analytical research helps in examining and interpreting financial data to understand the financial performance and trends of the company.

The study mainly focuses on analyzing the financial statements of the company and evaluating its financial strengths and weaknesses through financial ratios and trend analysis.

## Nature of the Study

The research is both:

- **Descriptive in nature** because it explains the financial condition and performance of the company.
- **Analytical in nature** because it examines and interprets financial data for decision-making purposes.

## Sources of Data

The study uses both **primary data** and **secondary data**, although the major emphasis is placed on secondary data.

## Primary Data

Primary data refers to information collected directly from individuals or sources for a specific purpose. If required, primary data may be collected through:

- Discussions with company officials
- Interviews with employees
- Questionnaires and surveys

However, the present study mainly depends on secondary data.

## Secondary Data

Secondary data refers to information already available and collected from published sources. Secondary data for the study is obtained from:

- Annual reports of Kothari Sugar and Chemicals Ltd
- Financial statements of the company
- Company websites
- Books on financial management
- Research journals and articles
- Financial magazines
- Newspapers and online databases

- Published reports and records

Secondary data is used to understand the financial performance and trends of the company over a specific period.

### **Period of Study**

The study covers a period of **five financial years** for analyzing the financial performance of Kothari Sugar and Chemicals Ltd.

For example:

- 2020–2021
- 2021–2022
- 2022–2023
- 2023–2024
- 2024–2025

The selected period helps in identifying changes and trends in financial performance over time.

### **Area of Study**

The study focuses on the financial performance and operations of **Kothari Sugar and Chemicals Limited** and evaluates its profitability, liquidity, solvency, and efficiency.

### **Tools and Techniques Used for Financial Analysis**

Financial analysis tools are used to interpret the financial statements and assess the company's financial condition.

### **Ratio Analysis**

Ratio analysis is used to evaluate the relationship between various financial variables and assess the company's financial performance.

The ratios used in the study include:

#### **Liquidity Ratios**

- Current Ratio
- Quick Ratio

#### **Profitability Ratios**

- Gross Profit Ratio
- Net Profit Ratio
- Operating Profit Ratio
- Return on Investment

#### **Solvency Ratios**

- Debt Equity Ratio

- Proprietary Ratio

### Activity Ratios

- Inventory Turnover Ratio
- Working Capital Turnover Ratio
- Asset Turnover Ratio

### Comparative Statement Analysis

Comparative statement analysis compares financial statements of different years and helps identify changes in assets, liabilities, sales, and profits.

### Common Size Statement Analysis

Common size analysis converts financial statement items into percentages to understand the proportion of different components.

### Trend Analysis

Trend analysis is used to examine changes in financial data over several years and identify growth or decline patterns.

### Percentage Analysis

Percentage analysis is used to study changes in financial variables and determine their significance.

### Data Analysis Procedure

The collected financial data is organized, classified, and analyzed systematically using financial tools and techniques. The analysis includes:

- Collection of financial statements
- Classification of financial information
- Calculation of financial ratios
- Preparation of comparative statements
- Interpretation of results
- Drawing findings and conclusions

### Hypothesis of the Study

#### **H<sub>0</sub> (Null Hypothesis):**

There is no significant relationship between financial ratios and financial performance of the company.

#### **H<sub>1</sub> (Alternative Hypothesis):**

There is a significant relationship between financial ratios and financial performance of the company.

### Limitations of the Study

The study has certain limitations:

1. The study is based mainly on secondary data.
2. The analysis is limited to the selected period of study.
3. Financial performance may be influenced by external economic conditions.
4. The study is restricted only to Kothari Sugar and Chemicals Ltd.
5. Findings depend upon the accuracy of available financial statements.

## Summary

Research methodology provides a systematic framework for analyzing the financial performance of Kothari Sugar and Chemicals Ltd. By using financial analysis techniques such as ratio analysis, trend analysis, comparative statements, and common-size statements, the study helps in understanding the financial health, profitability, liquidity, and operational efficiency of the company.

## Limitations of the Study

Every research study has certain limitations that may affect the scope and interpretation of the findings. The limitations of the study “**A Study on Financial Analysis of Kothari Sugar and Chemicals Ltd**” are as follows:

1. The study is mainly based on secondary data collected from annual reports and published financial statements of the company.
2. The analysis is restricted to a specific period of study and may not reflect the current financial position of the company.
3. The study is limited only to **Kothari Sugar and Chemicals Limited**, and therefore the findings cannot be generalized to other companies in the sugar industry.
4. Financial performance can be affected by external factors such as government policies, market conditions, inflation, economic changes, and industry trends which are beyond the control of the study.
5. The accuracy of the study depends upon the reliability and correctness of the financial data available in company reports.
6. Time and resource constraints may limit the depth of analysis and interpretation.
7. The study focuses mainly on financial aspects and does not consider non-financial factors such as employee performance, customer satisfaction, and organizational culture.

## Conclusion

The study “**A Study on Financial Analysis of Kothari Sugar and Chemicals Ltd**” concludes that financial analysis plays a significant role in understanding the financial performance and overall health of an organization. Through the use of financial tools such as ratio analysis, comparative statements, common-size analysis, and trend analysis, the financial strengths and weaknesses of the company can be effectively identified.

The study reveals that the financial performance of the company depends on factors such as profitability, liquidity, solvency, and operational efficiency. Analysis of financial statements helps in evaluating the company's ability to generate profits, manage resources efficiently, and meet both short-term and long-term obligations.

Overall, financial analysis provides valuable insights for management and stakeholders in making effective decisions and improving the financial stability and growth of the company in the future.

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