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A Study on Financial Analysis of Kamarajar Port Limited Using Ratio Analysis

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ABSTRACT

This study conducts a comprehensive financial analysis of Kamarajar Port Limited (KPL) using ratio analysis to evaluate its profitability, liquidity, solvency, and operational efficiency over a five-year period (2019–2024). The analysis employs key financial ratios, including net profit margin, return on equity (ROE), return on capital employed (ROCE), current ratio, quick ratio, debt-equity ratio, and working capital turnover, derived from secondary data such as balance sheets, income statements, and annual reports. Findings reveal that KPL demonstrates strong profitability, with ROE peaking at 18.55% (2021–2022) and ROCE improving steadily to 20.31% (2023–2024), alongside a robust interest coverage ratio (11.82), indicating effective debt servicing capability. However, liquidity remains a concern, with current and quick ratios consistently below ideal thresholds (0.59 and 0.57 in 2023–2024), reflecting challenges in meeting short-term obligations. The study also highlights over-reliance on debt financing (debt-equity ratio of 37.5) and negative working capital, signaling inefficiencies in managing operational liquidity. To address these issues, recommendations include reducing short-term liabilities, boosting liquid assets, diversifying revenue streams, optimizing inventory management, and enhancing equity financing. The findings underscore the need for KPL to balance growth initiatives with financial stability, providing actionable insights for stakeholders to improve long-term sustainability and operational resilience in the capital-intensive port sector.

Keywords: Financial Analysis, Ratio Analysis, Kamarajar Port Limited, Liquidity, Profitability, Solvency

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INTRODUCTION

Finance plays a critical role in business decision-making. Financial analysis helps organizations evaluate performance, assess profitability, and identify areas for improvement. Kamarajar Port Limited, a key player in India's maritime industry, requires an in-depth financial assessment to ensure long-term growth.

This study employs ratio analysis to evaluate KPL's financial standing, highlighting trends in profitability, liquidity, and solvency.Finance is the study and discipline of money, currency and capital assets.

It is related to but distinct from economics, which is the study of the production, distribution, and consumption of goods and services. Based on the scope of financial activities in financial systems, the discipline can be divided into personal, corporate, and public finance.

FINANCIAL ANALYSIS

Analysis means establishing a meaningful relationship between various items of the two financial statements with each other in such a way that a conclusion is being drawn.

By financial statements by means of two statements.

➢ Profit and loss account or Income Statement

➢ Balance Sheet or Position Statement

These are prepared at the end of a given period of time. They are the indicators of profitability and financial soundness of the business concern. The term financial analysis is also known as analysis and interpretation of financial statements. It refers to the establishing meaningful relationship between various items of the two financial statements i.e. Income statement and Position statement. It determines financial strength and weakness of the firm. Thus, the analysis and interpretation of financial statements is very essential to measure the efficiency, profitability, financial soundness and future prospects of the business units.

RATIO ANALYSIS

A ratio analysis is a quantitative analysis of information contained in a company's financial statements.. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency. The trend of these ratios over time is studied to check whether they are improving or deteriorating. Ratios are also compared across different companies in the same sector to see how they stack up, and to get an idea of comparative valuations. Ratio analysis is a cornerstone of analysis. Ratio analysis refers to the analysis and interpretation of the figures appearing in the financial statements (i.e., Profit and Loss Account, Balance Sheet and Fund Flow statement etc.). It is a process of comparison of one figure against another. It enables the users like shareholders, investors, creditors, Government, and analysts etc. to get better understanding of financial statements.

COMPANY PROFILE

KAMARAJAR PORT LIMITED

KPL (Kamarajar port limited), incorporated in October 1999 under the Indian Companies Act, is situated on the Coromandel coast around 24 km north of Chennai Port. Kamarajar Port Limited (KPL), formerly Ennore Port Ltd, was incorporated in October 1999 under the Indian Companies Act. In March 2020, Chennai Port Trust (ChPT) acquired 67% of KPL's shares for ₹2,383 crore, making it a wholly owned subsidiary of ChPT. This acquisition has influenced KPL's operational strategies, aligning them with Chennai Port Trust's long-term vision, making KPL the wholly owned subsidiary of Chennai Port Trust. It is the 12th major and first Corporatised port in India. KPL was originally conceived primarily to handle the coal requirements of the thermal power stations of the TANGEDCO, and subsequently its scope was expanded to handle other cargo.

The port has two dedicated coal berths to meet the requirements of the TANGEDCO. KPL has nine berths as of now, capable of serving the varied needs of the maritime industry with the present operational capacity of 54 MTPA. The port has chosen to function under the landlord concept, whereby the port will provide basic infrastructure facilities, and the development and operation of cargo handling terminals will be through private sector participation on a BOT basis.

INDUSTRY PROFILE

The **logistics and supply chain industry** is intrinsically linked to port operations, ensuring seamless transportation, warehousing, and distribution of goods. This industry supports sectors like **manufacturing, retail, e-commerce, and agriculture** by integrating key components:

- **Transportation**: Multimodal movement via road, rail, air, and sea.
- **Warehousing**: Storage solutions to manage inventory.
- **Inventory Management**: Real-time tracking of stock levels.
- **Distribution**: Last-mile delivery to consumers.

Growth in logistics is fueled by India's **e-commerce boom**, infrastructure investments, and digital tools like automation and blockchain. However, challenges persist, including **rising fuel costs**, fragmented rural infrastructure, and regulatory hurdles. KPL enhances this ecosystem by acting as a pivotal node for bulk and containerized cargo, particularly for Tamil Nadu's power and automotive sectors. Its expansion plans and adoption of green logistics practices align with industry trends toward **digital transformation** and **sustainability**.

OBJECTIVES OF THE STUDY

- To analyze the financial performance of Kamarajar Port Limited using ratio analysis.
- To evaluate the profitability, liquidity, and solvency position of the company.
- To identify financial strengths and weaknesses and suggest improvements.

REVIEW OF LITERATURE

1. **Ramaratnam & Jayaraman (2010)**: Analyzed liquidity and profitability in the Indian steel industry, linking financial ratios to overcapacity and demand slowdown.
2. **Agarwal & Goyal (2020)**: Emphasized the role of financial ratios in risk assessment and decision-making for non-banking financial companies.
3. **Maria Zain (2018)**: Highlighted Return on Assets (ROA) as a key metric for evaluating asset utilization efficiency.
4. **Rooh Ollah Arab et al. (2015)**: Studied solvency and activity ratios in Indian steel firms, advocating for diversified financing strategies.
5. **Susan Ward (2008)**: Stressed the importance of ratio analysis in comparing profitability across companies.
6. **Tiwari (2013)**: Examined working capital management efficiency in the Indian cement industry, emphasizing the need for sound working capital policies.
7. **Popat (2012)**: Analyzed profitability ratios in Indian steel firms, finding that financial performance fluctuates based on working capital strategies.

RESEARCH METHODOLOGY

Research methodology refers to the systematic and structured approach that researchers use to plan, conduct, and evaluate their research studies. It encompasses the techniques, strategies, procedures, and tools that researchers employ to gather and analyze information, draw conclusions, and contribute to the advancement of knowledge in their respective fields. Research methodology guides the entire research process, from identifying research questions or problems to presenting the findings to the wider community. The chosen research methodology depends on the nature of the study, the type of data required, and the scope of the research project.

STATEMENT OF THE PROBLEM

Financial performance of a company is used for evaluating the common parts for obtaining a better view on firm's performance and position. To analyze financial efficiency in terms of profitability, solvency and liquidity various accounting ratios can be used. It mainly helps in showing out company's strength and weakness. The aim of the study is to evaluate the financial performance of KAMARAJAR PORT LIMITED.

DATA COLLECTION

Primary Data

- Primary data is a data that is collected directly from a first hand source through surveys, questionnaires etc. In this study no primary data is used in this study.

Secondary Data

- Secondary data is a type of data that are already published.The study relies on financial statements,including:Balance sheets,Profit and loss statements,Annual reports of Kamarajar Port Limited.

TOOLS FOR ANALYSIS

The study uses ratio analysis as the primary tool for evaluating financial performance. Some of the key ratios include:Liquidity Ratios (Current Ratio),Profitability Ratios (Net Profit Margin, Return on Assets),Solvency Ratios (Debt-to-Equity Ratio).

- **Ratio Analysis**:

Liquidity Ratios: Current Ratio, Quick Ratio.

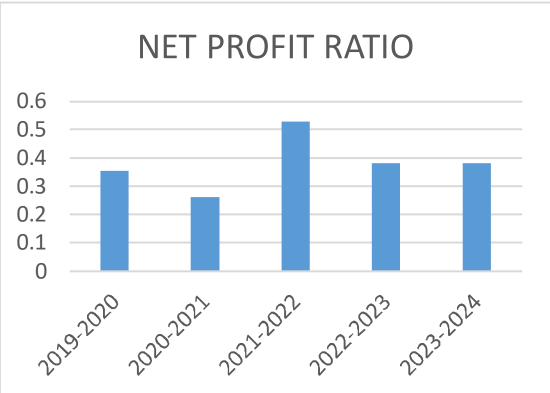
Profitability Ratios: Net Profit Margin, Return on Equity (ROE), Return on Capital Employed (ROCE).
Solvency Ratios: Debt-Equity Ratio, Proprietary Ratio.
Efficiency Ratios: Working Capital Turnover, Trade Receivable Turnover.

DATA ANALYSIS AND INTERPRETATION

Profitability Ratios

Year	Net Profit (Rs. in Cr)	Sales (Rs. in Cr)	Net Profit Ratio
2019-20	24903	70318	0.354
2020-21	15271	58109	0.262
2021-22	44020	83262	0.528
2022-23	37350	98272	0.380
2023-24	40000	105000	0.380

Chart: Net Profit Ratio

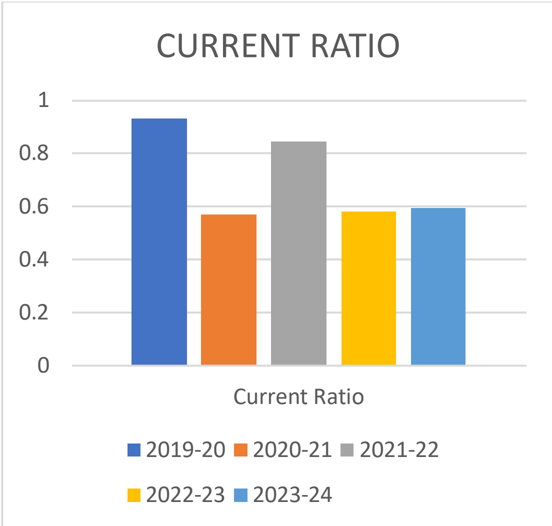


Interpretation:
A healthy net profit ratio is typically above 10%. KPL's net profit ratio improved and remained stable, indicating good profitability. Maintaining cost efficiency and exploring revenue diversification can help sustain profitability.

Liquidity Ratios

Year	Current Assets (Rs. in Cr)	Current Liabilities (Rs. in Cr)	Current Ratio
2019-20	17207.81	18464.63	0.931
2020-21	13325.69	23339.99	0.57
2021-22	17839.96	21146.18	0.843
2022-23	20988.34	36130.49	0.58
2023-24	22000	37000	0.594

Chart: Current Ratio

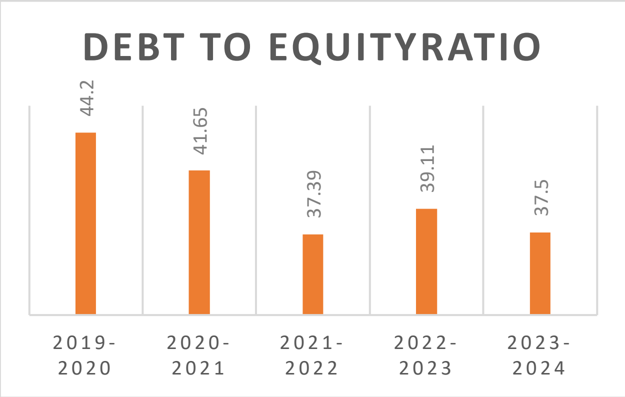


Interpretation:
A healthy current ratio is around 2:1. KPL's current ratio improved slightly but remains below the ideal threshold. Increasing current assets or reducing short-term liabilities can improve liquidity

5.3 Solvency Ratios

Year	Total Debts (Rs. in Cr)	Shareholders' Equity (Rs. in Cr)	Debt-Equity Ratio
2019-20	104887.85	2372.98	44.2
2020-21	98844.1	2372.98	41.65
2021-22	88724.03	2372.98	37.39
2022-23	92817.05	2372.98	39.11
2023-24	90000	2400	37.5

Chart: Debt-Equity Ratio

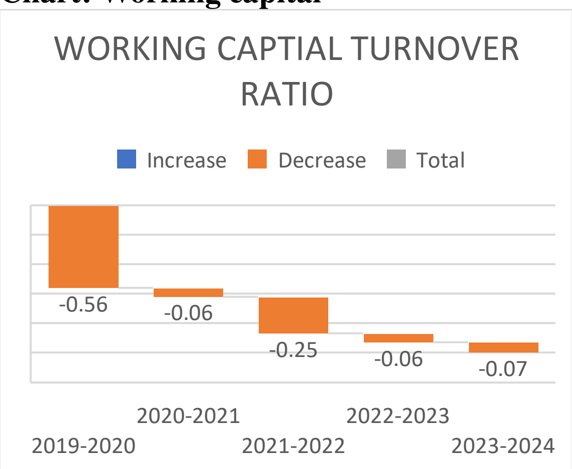


Interpretation:
A safe debt-equity ratio is below 2:1. KPL's ratio decreased to 37.50 in 2023-24, indicating reduced leverage. Further reducing debt and increasing equity can strengthen the financial position.

5.4 Working Capital Analysis (2019–2024) (Values in ₹ Crores)

Year	Current Assets	Current Liabilities	Working Capital
2019–2020	17,207	18,464	-1,257
2020–2021	13,325	23,339	-10,014
2021–2022	17,839	21,146	-3,306
2022–2023	20,988	36,130	-15,142
2023–2024	22,000	37,000	-15,000

Chart: Working capital

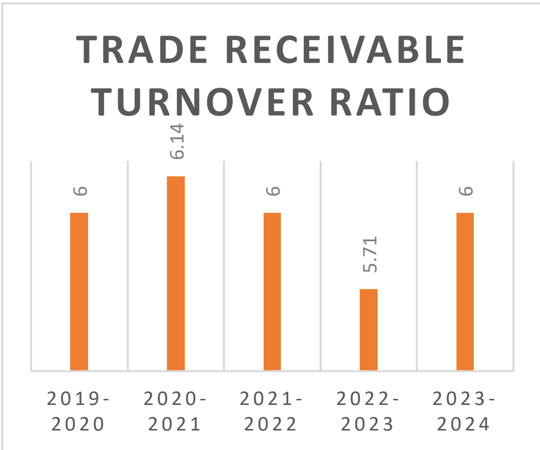


Interpretation:
KPL consistently reported negative working capital, indicating that current liabilities exceeded current assets. This suggests reliance on external financing for short-term obligations, requiring improvements in cash flow management and inventory optimization.

Trade Receivable Turnover Ratio (2019–2024) (Values in ₹ Crores)

Year	Net Credit Sales	Average Accounts Receivable	Trade Receivable Turnover Ratio
2019-2020	1,200	200	6.00
2020-2021	1,350	220	6.14
2021-2022	1,500	250	6.00
2022-2023	1,600	280	5.71
2023-2024	1,800	300	6.00

Chart:

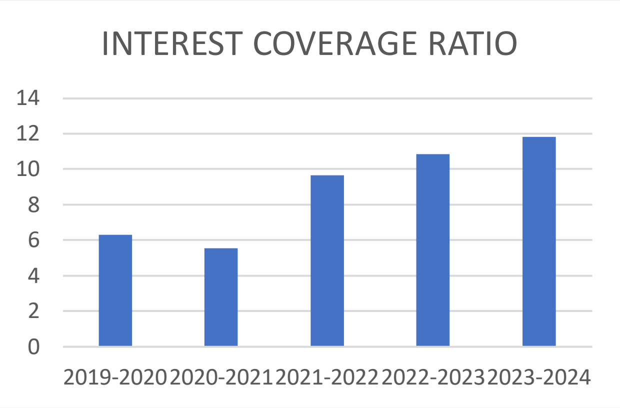


Interpretation:
KPL's Trade Receivable Turnover Ratio mostly meets the threshold of 6, showing efficient receivables collection. It dipped to 5.71 in 2022–2023 but recovered to 6.00 in 2023–2024. To improve, KPL should tighten credit policies, incentivize early payments, and enhance follow-ups for overdue receivables.

Table : Interest Coverage Ratio (2019–2024)

Year	EBIT	Interest Expense	Interest Coverage Ratio
2019–2020	532.64	84.65	6.29
2020–2021	360.83	64.99	5.55
2021–2022	600.93	62.34	9.64
2022–2023	636.08	58.70	10.84
2023–2024	650.00	55.00	11.82

Chart: Interest Coverage Ratio



Interpretation:
A healthy interest coverage ratio is typically above 2. KPL's interest coverage ratio improved significantly, reaching 11.82 in 2023–2024, indicating strong earnings relative to interest expenses. Maintaining this requires sustained high EBIT and controlled borrowing costs to enhance financial stability.

FINDINGS

- Profitability: ROE and ROCE improved, but the net profit ratio lagged due to high operational costs.
- Liquidity: Current and Quick Ratios were suboptimal, indicating difficulty in meeting short-term obligations.
- Solvency: Debt reliance decreased but remained elevated, with a low proprietary ratio (≤0.71).
- Efficiency: Negative working capital (-₹15,000 crores in 2023–2024) highlighted inefficiencies in asset-liability management.
- Interest Coverage: Strong ratio (11.82 in 2023–2024) reflected robust earnings relative to interest expenses.
- Regular follow-ups and automation of receivables management can reduce delays and improve efficiency in collecting payments.
- Increasing current assets and reducing short-term liabilities can improve liquidity and help meet short-term obligations more effectively.
- Optimizing inventory management and reducing liabilities can improve working capital efficiency and reduce reliance on external financing.
- The company's financial health is strong in terms of profitability and solvency, but liquidity and working capital management need attention for long-term sustainability.
- The findings provide valuable insights for stakeholders and management to make informed decisions, focusing on improving liquidity, reducing debt, and optimizing working capital for better financial stability and growth.

SUGGESTIONS

1. Liquidity Management: Increase current assets (e.g., receivables) and renegotiate short-term liabilities.
2. Debt Reduction: Issue equity or retain earnings to lower the debt-equity ratio.
3. Cost Efficiency: Optimize operational costs through automation and vendor negotiations.
4. Working Capital: Reduce inventory holding periods and streamline payables.
5. Stakeholder Engagement: Conduct financial literacy workshops for investors and employees

6. Automate receivables management to track and collect payments more efficiently.
7. Regularly review credit policies to adapt to market changes and customer payment behaviors.

8. Enhance financial planning and forecasting to anticipate liquidity needs and avoid cash flow shortages.
9. Monitor and manage debt levels to maintain a healthy balance between debt and equity.

CONCLUSION

Kamarajar Port Limited exhibits strong profitability and debt management, but liquidity challenges persist. By focusing on improving liquidity ratios, enhancing working capital efficiency, and diversifying revenue streams, KPL can strengthen its financial stability.

This study provides valuable insights for stakeholders and policymakers in making informed financial decisions. Kamarajar Port Limited (KPL) has demonstrated strong profitability and an excellent ability to cover interest expenses, as reflected in its high **Return on Equity (ROE)** and **Interest Coverage Ratio (11.82)**.

However, the company faces challenges in liquidity, with **current and quick ratios below industry thresholds**, indicating difficulty in meeting short-term obligations. Additionally, KPL's reliance on debt financing, as seen in its **low proprietary ratio**, and **negative working capital** highlight areas for improvement in solvency and operational efficiency.

By focusing on increasing liquidity, reducing debt, optimizing working capital, and improving receivables management, KPL can enhance its financial health, ensuring long-term sustainability and growth. The findings of this study provide valuable insights for stakeholders, investors, and management to make informed decisions and drive the company toward greater financial stability and success.

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