

Analysis of Financial Statements of Pestology Combines

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Abstract

Pestology Combines is a manufacturing company that specializes in producing hygiene products and partners with renowned brands. The company emphasizes integrity, innovation, and customer satisfaction while promoting eco-friendly pest elimination solutions. With a state-of-the-art manufacturing unit, Pestology Combines ensures the production of high-quality defect-free products by utilizing top-notch raw materials and professional management. Additionally, the company exports its products to several countries and serves as an OEM supplier, offering customized B2B solutions. This study evaluates Pestology Combines' financial performance using four years of balance sheet and income statement data. By analyzing the changes in assets and liabilities over time, the research provides management strategies and problem-solving recommendations. Furthermore, the study explores the manufacturing sector's significance, technological advancements, and its contribution to economic growth and innovation. The findings of this research contribute to a better understanding of financial statement analysis within specific industry contexts, highlighting the importance of managing assets and liabilities effectively for sustained financial health.

Keyword: Financial performance analysis; Financial performance analysis; Balance sheet and income statement analysis; Manufacturing company; Hygiene products

Introduction

Pestology Combines is a manufacturing company that produces hygiene products and partners with brands like Philips Lighting Ltd and Osram for UV lamps. The company focuses on integrity, innovation, and customer satisfaction while supporting eco-friendly pest elimination products. Equipped with a sophisticated manufacturing unit, Pestology Combines utilizes high-quality raw materials and professional management to ensure defect-free products. The company also exports to countries such as Maldives, Bhutan, Nepal, Sri Lanka, Africa, and UAE, and offers customized B2B solutions as an Original Equipment Manufacturer (OEM) supplier. The study evaluates a company's financial performance using four years of balance sheet and income statement data. By comparing these documents, changes in assets and liabilities are identified to recommend management strategies and problem

solutions. Comparative balance sheets and income statements help identify changes in a company's assets and liabilities, which can inform recommendations for management. Analysing the reasons for these changes can also assist the company in solving its problems.

Review of Literature

The manufacturing sector involves the creation of finished products from raw materials or components through physical, chemical, or mechanical transformations. Manufacturing can range from small-scale handicrafts to large-scale industrial production using machinery and equipment. The value is created during the manufacturing process, allowing businesses to charge higher prices for the final products. Technological advancements have greatly improved production efficiency, although automation has also resulted in job losses for skilled workers. Manufacturing industries are crucial for economies as they contribute to economic growth, innovation, and research and development. The United States has historically been a major manufacturing hub, with industries such as automobiles, aerospace, and chemicals driving innovation and economic activity. Pestology Combines, founded in 1983, is a hygiene product manufacturing company based in Bangalore, Karnataka. With 29 years of experience, the company specializes in manufacturing and exporting pest control devices globally. They offer a range of pest control machines and products that are user-friendly and can be customized to meet specific business needs. Customers can access information about various OEM products through the company's website.

The book "Financial Statement Analysis" by Foster (1986) provides a comprehensive guide to analyzing financial statements. The author explores various techniques and methodologies for evaluating the financial performance of companies. The book covers topics such as ratio analysis, cash flow analysis, and forecasting, offering readers practical tools and insights to assess the financial health and stability of businesses. Foster's work serves as a valuable resource for individuals involved in financial analysis, including investors, analysts, and professionals in the field.

The research paper by Srinivas and Saroja (2013) focuses on analyzing and comparing the financial performance of HDFC and ICICI Bank. The authors aim to provide suggestions for enhancing efficiency in these selected banks. The study utilizes the CAMELS model, a well-known evaluation framework that assesses Capital Adequacy, Asset Quality, Management, Earning Quality, Liquidity, and Sensitivity. In addition, a t-test is employed for comparative analysis. Based on the CAMELS analysis and t-test results, the paper concludes that there is no significant difference in the financial performance between ICICI and HDFC Bank. However, it suggests that the performance of ICICI Bank is slightly lower compared to HDFC Bank.

The article by Ehiedu (2014) explores the relationship between liquidity and profitability of selected companies using the financial statement analysis (FSA) approach. The study aims to understand how liquidity levels impact the profitability of these companies. By employing various financial ratios and indicators, the author conducts an in-depth analysis of the financial statements. The findings of the study provide insights into the importance of maintaining adequate liquidity levels for enhancing profitability in these selected companies.

The article by Bansal (2015) focuses on conducting a comparative analysis of the financial performances of selected Indian IT companies from 2010 to 2014. The study aims to provide insights into the financial performance trends and patterns within the Indian IT sector during the specified period. The author employs financial analysis techniques, including ratio analysis and trend analysis, to evaluate key financial indicators such as profitability, liquidity, efficiency, and solvency. The findings of the study contribute to a better understanding of the financial performance dynamics in the Indian IT industry and provide valuable insights for investors, analysts, and decision-makers within the sector.

Mohanty (2021) conducts a comparative analysis of the financial performance of selected public and private sector banks in India. The study utilizes various financial ratios and performance indicators, such as profitability, asset quality, liquidity, efficiency, and solvency ratios, to assess the banks' financial health and compare their performance. The primary objective is to identify differences and patterns between public and private sector banks, considering factors like governance structures, operational efficiency, and market dynamics. The study's key findings provide valuable insights for policymakers, investors, and banking professionals, offering a comprehensive understanding of the comparative financial performance of these banks in India.

The study by Philip and Prasad (2023) focuses on examining the financial performance of The South Indian Bank. The research aims to gain insights into the bank's financial health and performance indicators. By utilizing financial analysis techniques, the authors assess various aspects of the bank's performance, including profitability, asset quality, liquidity, efficiency, and solvency. The findings of the study provide a comprehensive understanding of The South Indian Bank's financial performance, offering valuable insights for stakeholders such as investors, regulators, and management. The research article contributes to the existing knowledge in the field of banking and finance, specifically within the context of The South Indian Bank.

Research Gap and Objectives

The research gap identified in the field of financial statement analysis revolves around the need for more comprehensive and comparative studies focusing on specific industries or regions. While there have been numerous studies conducted on financial statement analysis, many of them are general in nature and lack industry-specific or regional context. There is a dearth of research that specifically examines the financial performance of companies within a particular industry or geographic location, considering the unique characteristics and challenges they face. This research gap calls for studies that delve deeper into industry-specific financial statement analysis, providing valuable insights and practical implications for decision-makers and investors operating in those sectors or regions. By addressing this research gap, scholars can contribute to a more nuanced understanding of financial statement analysis within specific contexts, enabling better-informed decision-making and more accurate assessments of companies' financial health.

The objectives of the research study are as follows:

- a. The study aims to examine the financial position of Pestology Combines by utilizing the balance sheet and income statement. Comparative analysis is conducted to compare assets, liabilities, income, and expenses over different years, enabling a better understanding of the company's financial health and any changes that have occurred.
- b. Based on the findings from the analysis, the study provides recommendations to improve the management of assets and liabilities at Pestology Combines. By identifying the reasons behind the observed changes, the research offers potential solutions to address any issues and optimize the company's financial standing.

Overall, the study utilizes financial statements to assess the financial position of Pestology Combines and offers practical recommendations for enhancing the management of assets and liabilities for the company's benefit.

Methodology

The article titled "Financial Statement Analysis of Pestology Combines" aims to evaluate the financial performance of the company by analyzing the comparative balance sheet and income statement over a four-year period. The study utilizes secondary data, specifically the balance sheets and income statements of Pestology Combines for the years 2017-18, 2018-19, 2019-20, and 2020-21. However, the study acknowledges some limitations. Firstly, the analysis is confined to a relatively short time frame, which may restrict the ability to draw definitive conclusions. A longer time frame would provide a more comprehensive understanding of trends and patterns. Secondly, the study relies solely on comparative analysis as the analytical technique, potentially limiting the depth and breadth of the conclusions. The utilization of multiple analysis methods could yield more comprehensive insights. Despite these limitations, the project contributes to understanding Pestology Combines' financial performance through a comparative analysis of its financial statements.

Results and Discussions

Table For Comparative Balance Sheet for the Year 2017-18 And 2018-19

Particulars	2017-18	2018-19	Absolute Change	Percentage Change
Liabilities and Capital				
Share Capital	17,36,162.10	28,94,366.34	11,58,204.24	66.71%
Secured Loans	20,47,534.09	17,41,835.03	-3,05,699.06	-14.93%
Loans and Advances	-	34,421.65	34,421.65	
Current Liabilities	13,48,469.98	17,15,331.09	3,66,861.11	27.21%
Total	51,32,166.17	63,85,954.11	12,53,787.94	24.43%
Assets				
Fixed Assets	28,82,953.35	27,46,073.35	-1,36,880.00	-4.75%
Current Assets				
Cash On Hand	6,785.18	2,971.45	-3,813.73	-56.21%
Cash At Bank	65,030.13	94,849.13	29,819.00	45.85%
Closing Stock	1,70,457.00	14,08,994.00	12,38,537.00	726.60%
Sundry Debtors	20,00,940.51	18,64,902.66	-1,36,037.85	-6.80%
Loans And Advances	6,000.00	2,68,163.52	2,62,163.52	4369.39%
Total	51,32,166.17	63,85,954.11	12,53,787.94	24.43%

Interpretation

During the specified period, several noteworthy financial trends were observed in the company's performance. Firstly, the company experienced a substantial increase in share capital, growing by 66.71% from Rs. 17,36,162.10 to Rs. 28,94,366.34. This signifies the company's ability to attract additional capital, indicating positive development and growth prospects. Secondly, the company successfully reduced its secured loans by 14.93%, reflecting improved financial performance compared to the previous year. Furthermore, the company began receiving advances from clients in the subsequent year, potentially indicating increased orders or business expansion. However, it is important to note that the company's current liability increased by 27.20%, which should be managed carefully to maintain a stable current ratio. Additionally, there was a slight decrease of 4.75% in the value of fixed assets, indicating a reduction in the company's overall fixed asset value. The company also maintained relatively low cash in hand, with a decrease from Rs. 6,785.18 to Rs. 2,971.45 over the specified period. Finally, while the specific percentage increase is not provided, there was a significant rise in closing stock and loans and advances, suggesting notable growth in the company's inventory and loans given to others during the given timeframe.

Comparative Balance Sheet for the Year 2018-19 And 2019-20

Particulars	2018-19	2019-20	Absolute Change	Percentage Change
Liabilities And Capital				
Share Capital	28,94,366.34	28,97,389.54	3,023.20	0.10%
Net Profit for the year		18,04,702.38	18,04,702.38	
	28,94,366.34	47,02,091.92	18,07,725.58	62.46%
Less: Drawings		7,80,226.82	7,80,226.82	
Total Capital	28,94,366.34	39,21,865.10	10,27,498.76	35.50%

Liabilities				
Secured Loans	17,41,835.03	11,66,947.10	-5,74,887.93	-33.00%
Advances	34,421.65	39,546.00	5,124.35	14.89%
Current Liabilities	17,15,331.09	11,36,783.76	-5,78,547.33	-33.73%
Total	63,85,954.11	62,65,141.96	-1,20,812.15	-1.89%
Assets				
Fixed Assets	27,46,073.35	33,39,573.35	5,93,500.00	21.61%
Current Assets				
Cash In Hand	2,971.45	16,070.00	13,098.55	440.81%
Cash At Bank	94,849.13	3,12,825.33	2,17,976.20	229.81%
Closing Stock	14,08,994.00	3,88,983.00	-10,20,011.00	-72.39%
Sundry Debtors	18,64,902.66	19,03,046.25	38,143.59	2.05%
Loans And Advances	2,68,163.52	3,04,644.03	36,480.51	13.60%
Total	63,85,954.11	62,65,141.96	-1,20,812.15	-1.89%

Interpretation

In summary, the financial analysis of the company indicates that the share capital remained stable with a slight increase. The company achieved growth and profit maximization, as evidenced by a significant net profit. It successfully reduced secured loans and current liabilities, indicating responsible financial management. Moreover, the company experienced substantial growth in fixed assets, reflecting expansion and development. There was a notable increase in liquid cash, which enhances liquidity ratios. Additionally, the company demonstrated improved inventory management by significantly reducing closing stock. These financial indicators collectively showcase the company's prudent financial management, growth trajectory, and commitment to maintaining a strong financial position.

Comparative Balance Sheet for the Year 2019-20 And 2020-21

Particulars	2019-20	2020-21	Absolute Change	Percentage Change
Liabilities And Capital				
Share Capital	28,97,389.54	39,21,865.10	10,24,475.56	35.36%
Net Profit for the year	18,04,702.38	18,09,517.20	4,814.82	0.27%
	47,02,091.92	57,31,382.30	10,29,290.38	21.89%
Less: Drawings	7,80,226.82	1,14,361.19	-6,65,865.63	-85.34%
Total Capital	39,21,865.10	56,17,021.11	16,95,156.01	43.22%
Liabilities				
Secured Loans				
Axis Bank 1810	7,04,416.10	29,45,224.60	22,40,808.50	318.11%
Vehicle Loan 2-Wheeler	48,640.00		-48,640.00	-100.00%
Vehicle Loan 4-Wheeler	4,13,891.00	3,93,763.00	-20,128.00	-4.86%
IOB 07		6,79,693.65	6,79,693.65	
Advances	39,546.00	1,05,456.42	65,910.42	166.67%
Hand Loan		6,80,000.00	6,80,000.00	

Current Liabilities				
Sundry Creditors	7,86,566.76	9,19,321.10	1,32,754.34	16.88%
Salary Payable	2,78,051.00	2,94,121.00	16,070.00	5.78%
GST Payable	60,766.00	1,96,093.00	1,35,327.00	222.70%
Audit Fees Payable	11,400.00	20,000.00	8,600.00	75.44%
ESI Payable		6,222.00	6,222.00	
PF Payable		24,081.00	24,081.00	
Total	62,65,141.96	1,21,80,996.88	59,15,854.92	94.42%
Assets				
Fixed Assets	33,39,573.35	51,96,922.35	18,57,349.00	55.62%
Current Assets				
Loans & Advances	3,04,644.03	23,29,953.78	20,25,309.75	664.81%
Sundry Debtors	19,03,046.25	39,92,599.65	20,89,553.40	109.80%
Cash Account	16,070.00	14,335.00	-1,735.00	-10.80%
Stock In Hand	3,88,983.00	4,32,980.00	43,997.00	11.31%
Cash At Bank	3,12,825.33	2,02,411.10	-1,10,414.23	-35.30%
Cash In Hand		5,795.00	5,795.00	
Deposits		6,000.00	6,000.00	
Total	62,65,141.96	1,21,80,996.88	59,15,854.92	94.42%

Interpretation

From the above-mentioned table, the financial analysis of the company indicates that the share capital remained stable with a slight increase. The company achieved growth and profit maximization, as evidenced by a significant net profit. It successfully reduced secured loans and current liabilities, indicating responsible financial management. Moreover, the company experienced substantial growth in fixed assets, reflecting expansion and development. There was a notable increase in liquid cash, which enhances liquidity ratios. Additionally, the company demonstrated improved inventory management by significantly reducing closing stock. These financial indicators collectively showcase the company's prudent financial management, growth trajectory, and commitment to maintaining a strong financial position.

Comparative Income Statement for The Year 2017-18 And 2018-19

Particulars	2017-18	2018-19	Absolute Change	Percentage Change
Expenditure				
To Opening Stock	1,72,200.00	1,70,457.00	-1,743.00	-1.01%
To Domestic Purchase	34,23,235.36	61,29,712.22	27,06,476.86	79.06%
To Interstate Purchase	14,84,534.67	18,73,655.55	3,89,120.88	26.21%
To Import Purchase	18,37,195.04	67,62,101.07	49,24,906.03	268.07%
To Input CGST		5,38,154.01	5,38,154.01	
To Input SGST		5,38,154.01	5,38,154.01	
To Input IGST		16,98,682.99	16,98,682.99	
To Purchase @ 14.5%	3,01,393.84		-3,01,393.84	-100.00%
To Purchase @ 5.5%	1,37,518.08		-1,37,518.08	-100.00%

To Purchase @ 5%	1,80,739.25		-1,80,739.25	-100.00%
To Freight Charges	280	1,67,830.71	1,67,550.71	59839.54%
To Power Charges	46,800.00	32,535.00	-14,265.00	-30.48%
To Salaries and Wages	28,65,005.12	30,75,940.20	2,10,935.08	7.36%
To Import Duty		6,18,609.54	6,18,609.54	
To Insurance Charges		14,930.92	14,930.92	
To Gross Profit C/D	23,86,010.74	40,55,545.31	16,69,534.57	69.97%
Total	1,28,34,912.10	2,56,76,308.53	1,28,41,396.43	100.05%
To Depreciation	1,92,854.85	1,66,880.00	-25,974.85	-13.47%
To Advertisements	1,03,770.00	22,514.00	-81,256.00	-78.30%
To Professional	67,816.00	7,080.00	-60,736.00	-89.56%
Charges				
To Bank Charges & Int.	2,59,127.61	2,47,938.00	-11,189.61	-4.32%
To Professional Tax	2,500.00	2,500.00	-	-
To Telephone Charges	29,117.74		-29,117.74	-100.00%
To Business Promotion	27,500.00	1,07,179.29	79,679.29	289.74%
To Repairs and Maintenance	28,600.00	1,16,176.00	87,576.00	306.21%
To Rates and Taxes	13,500.00		-13,500.00	-100.00%
To Internet Charges	24,600.00	19,318.15	-5,281.85	-21.47%
To Interest on Loans	26,007.00		-26,007.00	-100.00%
To Office Expenses	68,300.00	85,700.00	17,400.00	25.48%
To Freight & Courier	45,039.00		-45,039.00	-100.00%
To Staff Welfare	2,68,225.00	2,40,600.00	-27,625.00	-10.30%
To Conveyance	2,48,560.00	1,58,905.00	-89,655.00	-36.07%
To Vehicle	38,600.00	84,971.00	46,371.00	120.13%
Maintenance				
To Vehicle Insurance	6,784.00	15,909.00	9,125.00	134.51%
To Transportation Charges	48,360.00	1,18,508.00	70,148.00	145.05%
To GST Tax Payment		9,29,362.87	9,29,362.87	
To Sales Commission		2,93,504.00	2,93,504.00	
To Audit Fee		18,000.00	18,000.00	
Total	24,89,861.74	40,55,545.31	15,65,683.57	62.88%
Income				
By Domestic Sales	66,63,861.87	1,42,01,884.33	75,38,022.46	113.12%
By Interstate Sales	32,43,771.40	63,61,076.32	31,17,304.92	96.10%
By Sales @14.5%	21,73,328.48		-21,73,328.48	-100.00%
By Sales @5.5%	23,325.00		-23,325.00	-100.00%
By Int. Sales @14.5%	3,11,820.50		-3,11,820.50	-100.00%
By Int. Sales @2%	2,32,847.35		-2,32,847.35	-100.00%
By Freight Charges Collected				
	15,500.50		-15,500.50	-100.00%

By Output CGST		12,79,434.59	12,79,434.59	
By Output SGST		12,79,434.59	12,79,434.59	
By Output IGST		11,45,484.70	11,45,484.70	
By Closing Stock	1,70,457.00	14,08,994.00	12,38,537.00	726.60%
Total	1,28,34,912.10	2,56,76,308.53	1,28,41,396.43	100.05%
By Gross Profit B/D	23,86,010.74	40,55,545.31	16,69,534.57	69.97%
By Interest on FD	1,03,851.00		-1,03,851.00	-100.00%
Total	24,89,861.74	40,55,545.31	15,65,683.57	62.88%

Interpretation

In summary, the financial analysis of the company reveals that there has been a significant increase in purchases, particularly in the import sector, indicating growth in production. However, this has resulted in a substantial rise in freight charges, emphasizing the need for cost reduction measures. On a positive note, the company successfully reduced power charges, demonstrating their focus on expense management. Vehicle expenses doubled, highlighting the importance of prioritizing vehicle maintenance. The company achieved significant sales growth, which serves as the main source of income and helps offset the increased expenses. The increase in purchases also led to a substantial rise in closing stock, underlining the importance of effective inventory management. Overall, these findings emphasize the company's growth potential and the need for prudent cost management strategies to ensure profitability and operational efficiency.

Comparative Income Statement for the Year 2018-19 And 2019-20

Particulars	2018-19	2019-20	Absolute Change	Percentage Change
Expenditure				
To Opening Stock	1,70,457.00	14,08,994.00	12,38,537.00	726.60%
Power and Charges		37,996.00	37,996.00	
Salaries and Wages		31,24,455.00	31,24,455.00	
	1,70,457.00	45,71,445.00	44,00,988.00	2,581.88%
To Cost of Goods Manufactured B/D		41,82,462.00	41,82,462.00	
To Domestic Purchase	61,29,712.22	79,65,863.32	18,36,151.10	29.95%
To Interstate Purchase	18,73,655.55	38,05,579.79	19,31,924.24	103.11%
To Import Purchase	67,62,101.07	29,33,670.00	-38,28,431.07	-56.62%
To Input CGST	5,38,154.01	7,10,121.38	1,71,967.37	31.96%
To Input SGST	5,38,154.01	7,10,121.38	1,71,967.37	31.96%
To Input IGST	16,98,682.99	13,17,586.95	-3,81,096.04	-22.43%
To Power Charges	32,535.00		-32,535.00	-100.00%
To Salaries and Wages	30,75,940.20		-30,75,940.20	-100.00%
To Import Duty	6,18,609.54	2,90,526.00	-3,28,083.54	-53.04%
To Insurance Charges	14,930.92		-14,930.92	-100.00%
To Freight Charges	1,67,830.71		-1,67,830.71	-100.00%
To Gross Profit C/D	40,55,545.31	77,81,251.25	37,25,705.94	91.87%
Total	2,56,76,308.53	2,96,97,182.07	40,20,873.54	15.66%
To Depreciation	1,66,880.00	2,61,122.00	94,242.00	56.47%

To Bank Charges and Interest	2,47,938.00	3,24,358.25	76,420.25	30.82%
To Local Conveyance	1,58,905.00	2,30,409.00	71,504.00	45.00%
To Factory Maintenance	1,16,176.00	3,03,487.00	1,87,311.00	161.23%
To GST Tax Payment	9,29,362.87	17,80,564.00	8,51,201.13	91.59%
To Sales Commission	2,93,504.00	3,22,854.40	29,350.40	10.00%
To Internet Charges	19,318.15	39,396.10	20,077.95	103.93%
To Advertisement	22,514.00	49,064.00	26,550.00	117.93%
To Transportation Charges	1,18,508.00	1,55,619.34	37,111.34	31.32%
To Vehicle Maintenance	84,971.00	2,33,468.10	1,48,497.10	174.76%
To Sales Promotion	1,07,179.00	4,48,014.00	3,40,835.00	318.01%
To Office Expense	85,700.00	1,44,526.68	58,826.68	68.64%
To Legal and Professional Charges	25,080.00	1,12,250.00	87,170.00	347.57%
To Professional Tax	2,500.00	2,500.00	-	-
To Vehicle Loan Interest	15,909.00	40,323.00	24,414.00	153.46%
To Staff Welfare Expenses	2,40,600.00	2,49,250.00	8,650.00	3.60%
To Repairs and Maintenance		1,01,705.00	1,01,705.00	
To Printing and Stationery		61,588.00	61,588.00	
To Courier Charges		8,719.00	8,719.00	
To Employers Contribution to PF & ESI		1,82,638.00	1,82,638.00	
To Exhibition Charges		55,163.00	55,163.00	
To Executive Salary		6,00,000.00	6,00,000.00	
To Website Maintenance		7,892.94	7,892.94	
To Insurance Charges		36,323.06	36,323.06	
To Freight Charges		77,539.00	77,539.00	
To Rates and Taxes		1,47,775.00	1,47,775.00	
To Net Profit	14,20,500.00	18,04,702.38	3,84,202.38	27.05%
Total	40,55,545.02	77,81,251.25	37,25,706.23	91.87%
Income				
By Closing Stock	14,08,994.00	3,88,983.00	-10,20,011.00	-72.39%
Cost of Goods Manufactured C/D		41,82,462.00	41,82,462.00	
	14,08,994.00	45,71,445.00	31,62,451.00	224.45%
By Domestic Sales	1,42,01,884.33	1,51,24,050.35	9,22,166.02	6.49%
By Interstate Sales	63,61,076.32	99,76,680.28	36,15,603.96	56.84%
By Export Sales		78,057.72	78,057.72	
By Output CGST	12,79,434.59	13,61,293.63	81,859.04	6.40%
By Output SGST	12,79,434.59	13,61,293.63	81,859.04	6.40%
By Output IGST	11,45,484.70	17,95,806.46	6,50,321.76	56.77%
Total	2,56,76,308.53	2,96,97,182.07	40,20,873.54	15.66%
By Gross Profit B/D	40,55,545.31	77,81,251.25	37,25,705.94	91.87%
Total	40,55,545.31	77,81,251.25	37,25,705.94	91.87%

Interpretation

In summary, the financial analysis of the company reveals several key points. The company experienced an increase in domestic and interstate purchases, while import purchases decreased. This indicates a shift towards supporting local suppliers. Consequently, CGST and SGST payments increased, while IGST payments and import duty decreased. The company successfully reduced its closing stock by a significant margin, showcasing improved inventory management. The company saw higher growth in interstate sales compared to domestic sales, with interstate sales showing a substantial increase. Additionally, the company ventured into exports, importing goods worth Rs 78,057.72 in the following year. These findings highlight the company's efforts to strengthen its domestic supply chain, expand interstate sales, and explore new avenues through exports.

Comparative Income Statement for the Year 2019-20 And 2020-21

Particulars	2019-20	2020-21	Absolute Change	Percentage Change
Expenses				
To Opening Stock				
Opening Stock	14,08,994.00	3,88,983.00	-10,20,011.00	-72.39%
Power Charges	37,996.00		-37,996.00	-100.00%
Salary & Wages	31,24,455.00		-31,24,455.00	-100.00%
	45,71,445.00	3,88,983.00	-41,82,462.00	-91.49%
To Cost of Goods Manufactured B/D	41,82,462.00	-43,997.00	-42,26,459.00	-101.05%
To Domestic Purchase	79,65,863.32	87,72,160.70	8,06,297.38	10.12%
To Interstate Purchase	38,05,579.79	28,64,021.13	-9,41,558.66	-24.74%
To Import Purchase	29,33,670.00	39,97,784.12	10,64,114.12	36.27%
To Input CGST	7,10,121.38	7,85,143.30	75,021.92	10.56%
To Input SGST	7,10,121.38	7,85,143.30	75,021.92	10.56%
To Input IGST	13,17,586.95	13,49,907.82	32,320.87	2.45%
To Customs Duty	2,90,526.00	4,06,438.00	1,15,912.00	39.90%
To Power Charges		56,789.00	56,789.00	
To Salaries and Wages		30,75,403.00	30,75,403.00	
To Gross Profit C/D	77,81,251.25	73,93,676.18	-3,87,575.07	-4.98%
Total	2,96,97,182.07	2,94,42,469.55	-2,54,712.52	-0.86%
To Insurance Charges	36,323.06	35,184.02	-1,139.04	-3.14%
To Freight Charges	77,539.00	2,34,041.23	1,56,502.23	201.84%
To Local Conveyance	2,30,409.00	2,53,449.00	23,040.00	10.00%
To Repairs and Maintenance	1,01,705.00	1,53,877.00	52,172.00	51.30%
To Printing and Stationery	61,588.00	45,132.00	-16,456.00	-26.72%
To Courier Charges	8,719.00		-8,719.00	-100.00%
To Telephone and Internet Charges	39,396.10	33,723.81	-5,672.29	-14.40%
To Sales Commission	3,22,854.40	1,22,854.00	-2,00,000.40	-61.95%
To Employers Contribution to ESI & PF	1,82,638.00	1,46,415.00	-36,223.00	-19.83%
To Advertisement	49,064.00		-49,064.00	-100.00%
To Factory Maintenance Work	3,03,487.00	3,07,230.00	3,743.00	1.23%

To CGST Paid	4,84,325.00	1,35,581.00	-3,48,744.00	-72.01%
To SGST Paid	4,84,325.00	2,61,120.00	-2,23,205.00	-46.09%
To IGST Paid	8,11,914.00	7,30,892.00	-81,022.00	-9.98%
To Bank Charges and Interest	3,24,358.25	2,19,489.50	-1,04,868.75	-32.33%
To Vehicle Maintenance	2,33,468.10	2,86,721.00	53,252.90	22.81%
To Sales Promotion	4,48,014.00	3,59,613.00	-88,401.00	-19.73%
To Legal and Professional Charges	1,12,250.00	1,49,906.00	37,656.00	33.55%
To Professional Tax	2,500.00	2,500.00	-	-
To Vehicle Loan Interest	40,323.00	1,11,426.00	71,103.00	176.33%
To Staff Welfare Expenses	2,49,250.00	5,72,421.00	3,23,171.00	129.66%
To Office Expenses	1,44,526.68	2,09,250.00	64,723.32	44.78%
To Transportation Charges	1,55,619.34	2,32,215.00	76,595.66	49.22%
To Exhibition Charges	55,163.00		-55,163.00	-100.00%
To Executive Salary	6,00,000.00	6,00,000.00	-	-
To Website Maintenance	7,892.94		-7,892.94	-100.00%
To Rates and Taxes	1,47,775.00		-1,47,775.00	-100.00%
To Depreciation	2,61,122.00	2,52,226.00	-8,896.00	-3.41%
To Import Charges		1,44,763.42	1,44,763.42	
To Net Profit	18,04,702.38	18,09,517.20	4,814.82	0.27%
Total	77,81,251.25	74,09,547.18	-3,71,704.07	-4.78%
Income				
By Closing Stock				
Closing Stock	3,88,983.00	4,32,980.00	43,997.00	11.31%
Cost of Goods Manufactured C/D	41,82,462.00	-43,997.00	-42,26,459.00	-101.05%
	45,71,445.00	3,88,983.00	-41,82,462.00	-91.49%
By Domestic Sales	1,51,24,050.35	1,21,98,785.76	-29,25,264.59	-19.34%
By Interstate Sales	99,76,680.28	1,02,88,921.85	3,12,241.57	3.13%
By Export Sales	78,057.72	29,06,974.52	28,28,916.80	3,624.13%
By Output CGST	13,61,293.63	10,97,890.75	-2,63,402.88	-19.35%
By Output SGST	13,61,293.63	10,97,890.75	-2,63,402.88	-19.35%
By Output IGST	17,95,806.46	18,52,005.92	56,199.46	3.13%
Total	2,96,97,182.07	2,94,42,469.55	-2,54,712.52	-0.86%
By Gross Profit B/D	77,81,251.25	73,93,676.18	-3,87,575.07	-4.98%
By Export Draw back		15,871.00	15,871.00	
Total	77,81,251.25	74,09,547.18	-3,71,704.07	-4.78%

Interpretation

In summary, the financial analysis of the company reveals the following key points. The company reduced its interstate purchases by 10.12%, while experiencing increases in domestic and import purchases by 10.12% and 36.27% respectively. This indicates a higher reliance on imported raw materials. Consequently, the customs duty paid by the company for imports increased. Input CGST and SGST showed a moderate increase of 10.56%. Domestic sales decreased by 19.34%, while interstate sales saw a slight increase of 3.13%.

Notably, there was a significant surge in import sales by 3624.13%. The company also witnessed a substantial growth in exports from Rs 78,057.72 to Rs 29,06,974.52. The gross profit decreased by 4.98%, but the net profit demonstrated a marginal increase of 0.27%, indicating effective management of indirect expenses, which decreased compared to the previous year.

Conclusion

Pestology Combines has experienced growth in capital and revenue, but overall liabilities have continued to increase despite some payments. Fixed assets initially decreased but later saw significant growth. While the company has managed its assets well, there is room for improvement in liquid cash and closing stock management. Annual purchases have increased in diverse types, and sales have consistently grown, including expansion into international markets, resulting in higher profits and capital creation. However, the company has faced challenges in managing indirect expenses, impacting net profit. It is important to address this issue by better managing indirect expenses, repaying loans promptly, and effectively maintaining fixed assets to reduce maintenance costs. Participating in exhibitions and events can serve as a form of advertising and open new markets. Cost-cutting measures such as optimizing freight charges and investing in targeted advertising can help increase profits. Furthermore, reducing staff welfare costs, administrative expenses, petty expenditures, and ensuring proper website maintenance can contribute to improved net profit. The company should strive to maintain its current sales rate, expand exports while maintaining domestic sales, and focus on maximizing efficiency in raw material usage to drive production and income growth. The primary goal should be increasing profits, and adjustments in pricing and cost management can support this objective.

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