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A STUDY ON FINANCIAL PERFORMANCE OF VIP INDUSTRIES LIMITED

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INTRODUCTION:

The company under operation in India and was established in 1971; it is the largest luggage manufacturing company in Asia, and it is called VIP Industries Ltd. It has its operation center in Mumbai and offered luggage, bags, travel accessories and other travel products. This provides VIP Industries a broad range of products that covers economy segment, mid segment and the premium segment well-known brands like VIP, Sky bags, Carlton, Aristocrat and others. Despite intense competition, the company has a strong distribution channel by using retail outlets, online stores, and tie- ups with leading supermarket chains in more than 50 countries. Which is widely known for its long-lasting and sleek line of luggage and accessories, VIP Industries remains dedicated to research and development as well as consumer trends in the market; VIP Industries is one of the largest manufacturers and retailers of luggage in India and other countries in the world. These factors have been therefore been the key drivers of growth in VIP Industries because of concentration on quality and design and their ability to identify the changing needs of the consumers.

STATEMENT OF THE PROBLEM:

Financial performance focuses on using various analytical tools to make healthy operating decision for a firm, specifically regarding its profitability, solvency, and liquidity. The analysis of financial performance of VIP Industries Limited is the focus here. With these insights management, investors and other stakeholders or financial analysts will be able to obtain actionable insights in respect of future prospects for investment and growth opportunities for the company.

OBJECTIVES OF THE STUDY:

- To evaluate the performance and profitability of the business by analyzing ratios.
- To assess the company's management efficiency through the use of ratios.
- To determine the solvency of the company.
- To assess the company's growth and development, over a span of five years.

RESEARCH METHODOLOGY:

Research methodology refers to the systematic process used to conduct research, including the methods, techniques, and procedures used to collect and analyze data. It serves as the backbone of any study, ensuring reliability, validity, and accuracy of findings.

TOOLS USED:

Ratio Analysis:

- Mean
- Standard Deviation

LIMITATION OF THE STUDY:

- There clearly is no hard-and-fast standard for what the best ratios should be. There is no universally accepted standard of guidance, nor are there any all-encompassing sets of principles by which to judge the ratios.
- The limitations of using secondary data will be in the context to such an analysis and conclusion from this research.
- The object of this interrogation is limited to a period of five years.

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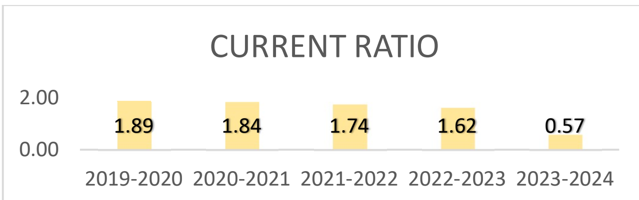
DATA ANALYSIS AND INTERPRETATION:

CURRENT RATIO:

CURRENT RATIO=CURRENT ASSET/CUREENT LIABILITY:

Year	CURRENT ASSET	CURRENT LIABILITY	CURRENT RATIO
2019-2020	828.39	437.83	1.89
2020-2021	738.36	401.95	1.84
2021-2022	900.25	516.83	1.74
2022-2023	1011.96	626.10	1.62
2023-2024	626.1	1,089.54	0.57
Mean			1.53
S.D			0.55



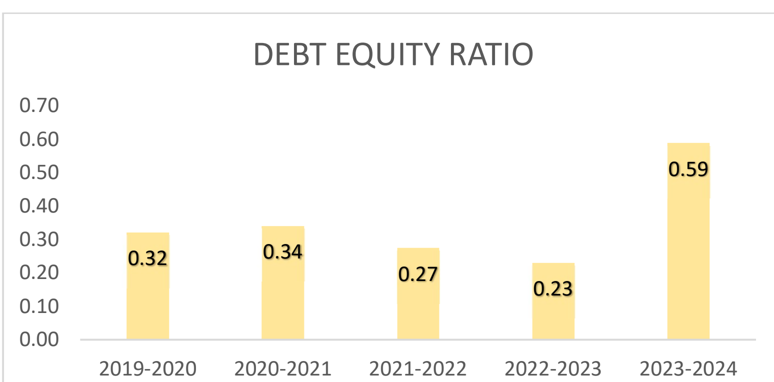
INTERPRETATION

The current ratio has shown a decreasing trend from 2019-2020 to 2022-2023, indicating a decline in the company's ability to meet its short-term obligations. This could be due to factors like increased short-term debt or declining current assets.

DEBT EQUITY RATIO:

DEBT EQUITY RATIO=TOTAL LONG TERM DEBT/SHAREHOLDERS FUND

Year	TOTAL LONG TERM DEBT	SHAREHOLDERS FUND	DEBT EQUITY RATIO
2019-2020	196.07	610.11	0.32
2020-2021	175.79	517.18	0.34
2021-2022	153.71	559.67	0.27
2022-2023	147.52	641.69	0.23
2023-2024	399.09	677.91	0.59
Mean			0.35
S.D			0.14



INTERPRETATION:

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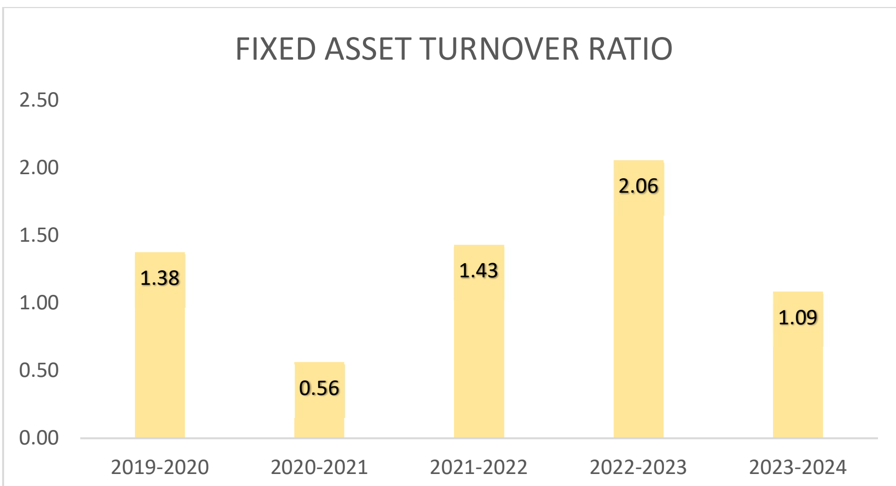
The debt equity ratio fluctuated over the period, but ultimately increased in 2023-2024. This means the company has taken on more debt in recent years, which could lead to higher financial risk.

MANAGEMENT EFFICIENCY RATIO:

FIXED ASSET TURNOVER RATIO

FIXED ASSET TURNOVER RATIO=SALES/NET FIXED ASSET

Year	SALES	NET FIXXED ASSET	FIXED ASSET TURNOVER RATIO
2019-2020	1,714.35	1,244.01	1.38
2020-2021	618.56	1094.92	0.56
2021-2022	1,289.51	900.92	1.43
2022-2023	2,082.32	1,011.96	2.06
2023-2024	2,244.96	2,066.54	1.09
Mean			1.30
S.D			0.54



INTERPRETATION:

The ratio has been fluctuating over the years, indicating inconsistencies in the company's fixed asset usage. The overall mean ratio of 1.30 suggests an average level of efficiency in fixed asset utilization.-

PROFITABILITY RATIO:

NET PROFIT RATIO

NET PROFIT RATIO=NET PROFIT/NET SALES*100

Year	Net Profit	Net Sales	Net Profit Ratio
2019-2020	111.73	1,714.35	6.52
2020-2021	-97.49	618.56	-15.76
2021-2022	66.93	1,289.51	5.19
2022-2023	152.34	2,082.32	7.32
2023-2024	54.30	2,244.96	2.42
Mean			-0.57
S.D			10.47

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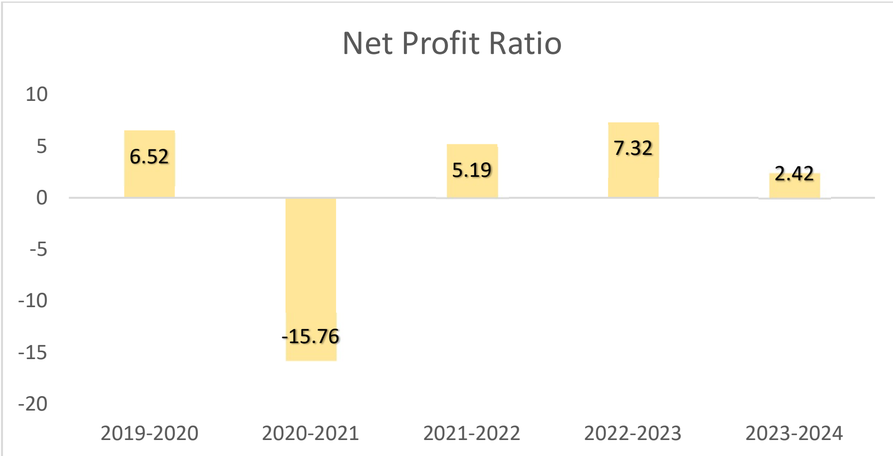
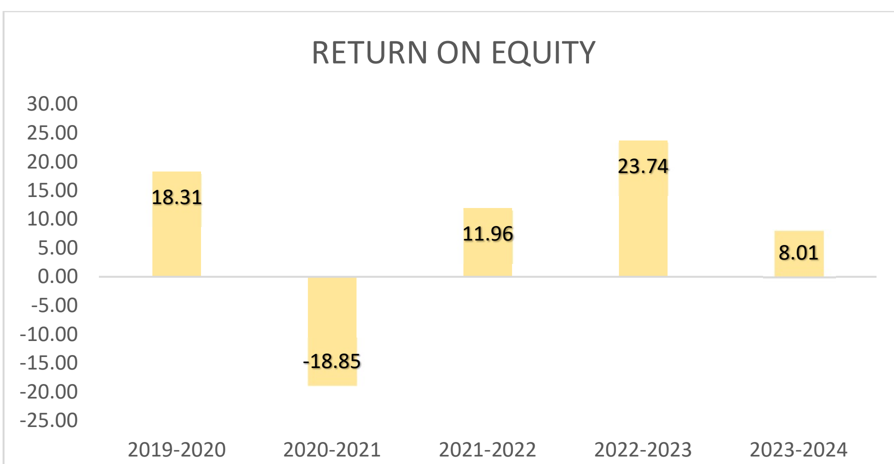


INTERPRETATION:

The company's net profit ratio has been inconsistent over the five years. It has experienced both periods of profitability and losses, indicating potential challenges in managing expenses and generating consistent profits.

RETURN ON EQUITY:

Year	NETPROFIT AFTER INTREST TAX & PREFERENCE	Equity shareholders	Return on equity
2019-2020	111.73	610.11	18.31
2020-2021	-97.49	517.18	-18.85
2021-2022	66.93	559.67	11.96
2022-2023	152.34	641.69	23.74
2023-2024	54.30	677.91	8.01
Mean			-0.57
S.D			10.47



INTERPRETATION:

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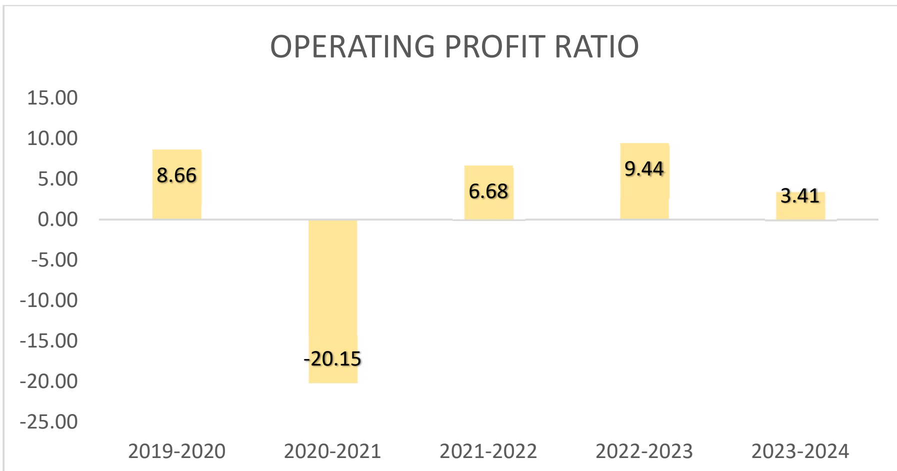
The company experienced a strong performance in 2019-2020 with an ROE of 18.31%. However, it suffered a significant decline in 2020-2021 with a negative ROE of -18.85%, indicating a loss-making period.

OPERATING PROFIT:

Year	OPERATING PROFIT	NET SALES	OPERATING PROFIT RATIO
2019-2020	148.41	1,714.35	8.66
2020-2021	-124.61	618.56	-20.15
2021-2022	86.16	1,289.51	6.68
2022-2023	196.53	2,081.32	9.44
2023-2024	76.58	2,244.96	3.41
Mean			1.61
S.D			12.38



INTERPRETATION:

The Operating Profit Ratio has fluctuated significantly over the past five years. The ratio was high in 2019-2020 (8.66%), indicating strong profitability. There is a need to investigate the underlying factors that contribute to these fluctuations.

RETURN ON CAPITAL EMPLOYED

Year	OPERATING PROFIT	CAPITAL EMPLOYEE	RETURN ON CAPITAL EMPLOYED
2019-2020	148.41	806.18	18.41
2020-2021	-124.61	692.97	-17.98
2021-2022	86.16	713.38	12.08
2022-2023	196.53	789.21	24.90
2023-2024	76.58	97.70	78.38
Mean			23.16
S.D			34.97

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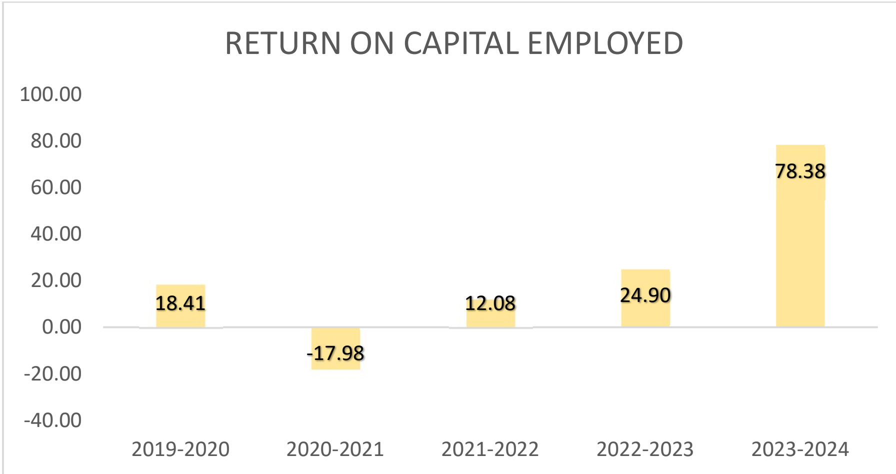

INTERPRETATION:

The ROCE has fluctuated significantly over the past five years. This could be due to a variety of factors, such as changes in the company's operating environment, its investment strategy, or its profitability.

REVIEW OF LITERATURE:

Gupta and Sharma (2020) conducted a comprehensive analysis of the company's financial statements over a five-year period, highlighting a consistent increase in return on equity (ROE) and net profit margins. Their findings suggest that effective cost management and strategic pricing have contributed to the company's robust financial health.

Kumar and Singh (2021) focused on liquidity ratios, revealing that while VIP Industries maintained a healthy current ratio, its quick ratio indicated potential liquidity challenges. This discrepancy raises questions about the company's short-term financial stability and its ability to meet immediate obligations.

Mehta and Joshi (2019), VIP Industries has successfully positioned itself as a premium brand in the Indian market, leveraging its strong brand equity and extensive distribution network. Their research emphasizes the importance of brand loyalty and customer perception in driving sales and enhancing financial performance.

Reddy and Rao (2022) between VIP Industries and its competitors, such as Samsonite and American Tourister, revealed that VIP's market share has been steadily increasing, attributed to its innovative product offerings and effective marketing strategies. This competitive edge has positively impacted its financial performance, as evidenced by rising sales figures and market capitalization.

Sharma and Verma (2023) explored the company's diversification strategy, particularly its foray into eco-friendly products. Their study indicates that this initiative not only aligns with global sustainability trends but also enhances the company's financial performance by attracting environmentally conscious consumers.

Patel and Desai (2023). Their research suggests that the adoption of e-commerce platforms and digital marketing strategies has significantly boosted sales, particularly during the COVID-19 pandemic, thereby improving overall financial metrics.

FINDINGS & SUGGESTIONS:

- The current ratio shows a declining trend over the years. While the initial years were robust, the drastic fall in 2023-2024 raises concern and needs investigation for potential causes of liquidity issues.

- The fluctuating trend in the Debt Equity Ratio suggests that the company's financial strategy has been changing over the years. It is important to analyze the reasons for this increase and the company's ability to manage its debt burden.
- The fixed asset turnover ratio has been volatile over the past five years, but it has generally been increasing, suggesting that the company has been improving its efficiency in using its fixed assets to generate revenue.
- The net profit ratio has shown some improvements and declines over the period. The high standard deviation suggests that the company's profitability is volatile and might be affected by factors like changing market conditions or operational efficiency.
- The company's ROE performance has been inconsistent and volatile. This suggests that the company may be facing challenges in generating a consistent return on its equity.
- The operating profit ratio exhibits volatility, suggesting the company's operating performance is subject to external and internal factors. This volatility suggests the need for proactive measures to maintain consistent profitability and mitigate risks.
- The ROCE of the company has been volatile over the past five years, but has generally trended upwards. This suggests that the company is becoming more efficient in using its capital to generate profits.

CONCLUSION:

The company has been successful in maintaining a healthy current ratio and increasing its fixed asset turnover ratio, which indicates good efficiency in using its assets**.** The company's debt equity ratio has been fluctuating, and its recent increase suggests a reliance on debt financing, which could lead to higher financial risk. Net profit ratio and ROE have been inconsistent and volatile, which indicates potential challenges in managing expenses and generating consistent profits. The operating profit ratio has also been volatile, requiring proactive measures to manage internal and external factors affecting profitability. The company's ROCE has been volatile over the past five years. While generally trending upwards, it highlights a need to further improve capital efficiency and generate more consistent profits.

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