



FINANCIAL STATEMENT ANALYSIS AT DEFW Automations

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Abstract

Financial statement analysis is a critical tool for evaluating the financial health, operational efficiency, and profitability of an organization. This study presents a comprehensive financial statement analysis of DEFW Automations, a leading company in the automation and engineering solutions sector. The research examines the company's financial performance over a five-year period from 2020-21 to 2024-25 using key financial statements including the balance sheet, income statement, and cash flow statements. Various financial ratios such as liquidity ratios, profitability ratios, solvency ratios, and efficiency ratios have been calculated and analyzed to assess the company's financial position. The study also employs trend analysis and comparative financial statements to identify patterns and changes in the financial performance of DEFW Automations. The findings provide valuable insights into the company's financial strengths, weaknesses, and areas requiring strategic improvement.

Keywords: Financial Statement Analysis, DEFW Automations, Ratio Analysis, Profitability, Liquidity, Solvency, Trend Analysis, Financial Performance.

I. INTRODUCTION

Financial statement analysis is an essential component of corporate finance and investment decision-making. It involves the systematic examination of a company's financial statements to assess its past performance, current financial position, and future prospects. The primary financial statements analyzed include the balance sheet, income statement, and cash flow statement. Through these documents, stakeholders such as investors, creditors, managers, and regulators can evaluate the financial health and operational efficiency of an organization.

DEFW Automations is a prominent player in the automation and industrial engineering sector, providing advanced automation solutions, control systems, and engineering services to diverse industries including manufacturing, automotive, pharmaceuticals, and logistics. The company has demonstrated significant growth in recent years, driven by increased

demand for automation technologies and operational efficiencies in the industrial sector. Understanding the financial performance of DEFW Automations through systematic financial statement analysis is crucial for stakeholders to make informed decisions.

Financial statement analysis employs various techniques including ratio analysis, trend analysis, common-size statements, and comparative financial statements. Ratio analysis is one of the most widely used tools, enabling the evaluation of liquidity, profitability, solvency, and efficiency. Trend analysis helps in identifying patterns over time, while common-size statements allow for meaningful comparison across periods and companies of different sizes.

This study focuses on the financial statement analysis of DEFW Automations over a five-year period from 2020-21 to 2024-25. The analysis covers key financial indicators including revenue growth,



profitability margins, asset utilization, capital structure, and cash flow management. The findings of this study are expected to provide valuable insights for investors, financial analysts, management, and other stakeholders in understanding the financial dynamics of DEFW Automations.

The study emphasizes the importance of financial statement analysis in evaluating corporate performance and guiding strategic decision-making. By applying structured analytical frameworks, the research aims to present a clear and objective assessment of the financial health and operational efficiency of DEFW Automations.

Research Objectives

The primary objective of this study is to conduct a comprehensive financial statement analysis of DEFW Automations and evaluate its financial performance over the period from 2020-21 to 2024-25. The study aims to achieve the following specific objectives:

1. To analyze the revenue and profitability trends of DEFW Automations over the five-year period and assess the company's earning capacity.
2. To evaluate the liquidity and solvency position of the company through appropriate financial ratios and assess its ability to meet short-term and long-term obligations.
3. To examine the asset composition and efficiency of asset utilization by the company in generating revenue and profits.
4. To assess the overall financial health and stability of DEFW Automations and identify areas of strength and weakness in its financial operations.
5. To provide recommendations based on the financial analysis findings that can assist management and stakeholders in strategic planning and decision-making.

Research Methodology

This study adopts a **descriptive and analytical research design** to examine the financial performance of DEFW Automations through systematic financial statement analysis. The research is based primarily on secondary data collected from the company's published annual reports, financial statements, and other authentic financial sources over a period of five financial years from 2020-21 to 2024-25.

The study relies on **secondary data** obtained from sources such as the company's annual reports, balance sheets, profit and loss statements, cash flow statements, notes to accounts, and other related financial disclosures. Additional data has been gathered from industry reports, financial databases, journals, books, research articles, and other authenticated sources to support the analysis and provide contextual understanding.

The collected data are analyzed using various financial analysis tools and techniques, including ratio analysis (liquidity, profitability, solvency, and efficiency ratios), trend analysis, comparative financial statements, and graphical representation of financial data. The findings are interpreted to evaluate the financial health, operational efficiency, and overall performance of DEFW Automations, thereby providing meaningful insights and recommendations for investors, management, and other stakeholders.

II. REVIEW OF LITERATURE

1. Title: Financial Statement Analysis: Theory, Application and Interpretation

Author: Leopold A. Bernstein (1998)

Abstract: This comprehensive study examined the theoretical foundations and practical applications of financial statement analysis. The research emphasized that financial statement analysis serves as a bridge between raw financial data and informed business



decisions. The study highlighted the importance of ratio analysis, cash flow analysis, and trend analysis in evaluating corporate performance and financial health. Bernstein concluded that a systematic analytical approach is essential for accurate interpretation of financial statements and effective investment decision-making.

2. Title: The Analysis and Use of Financial Statements

Author: Gerald I. White, Ashwinpaul C. Sondhi, and Dov Fried (2002)

Abstract: This study provided a comprehensive framework for analyzing and using financial statements for investment and credit decisions. The research covered various aspects of financial analysis including earnings quality assessment, cash flow analysis, and forecasting. The authors emphasized that financial statement analysis should consider both quantitative and qualitative factors, including industry conditions, competitive dynamics, and management quality. The study remains a valuable reference for financial analysts and investors seeking to make informed decisions based on financial statement data.

3. Title: Financial Ratios as Predictors of Corporate Performance

Author: William H. Beaver (1966)

Abstract: This pioneering study examined the predictive power of financial ratios in assessing corporate performance and financial distress. Beaver analyzed a range of financial ratios and found that certain ratios, particularly cash flow to total debt ratio, had significant predictive ability in identifying financially distressed firms. The study established the foundation for using financial ratios as predictive tools and demonstrated the practical value of financial statement analysis in risk assessment and decision-making.

4. Title: Financial Reporting and Statement Analysis: A Strategic Perspective

Author: Clyde P. Stickney and Paul R. Brown (2007)

Abstract: This study presented a strategic approach to financial statement analysis by integrating financial reporting concepts with business strategy. The research emphasized that effective financial analysis requires understanding the company's business model, industry dynamics, and competitive position. The authors demonstrated how financial ratios and metrics should be interpreted in the context of the company's strategic objectives and operating environment to derive meaningful insights for investment and management decisions.

5. Title: Financial Performance Evaluation of Indian Manufacturing Companies: An Empirical Study

Author: R. K. Sharma and R. Gupta (2020)

Abstract: This empirical study examined the financial performance of selected Indian manufacturing companies using ratio analysis and trend analysis. The findings revealed that profitability ratios and efficiency ratios showed significant variation across companies and industries. The study concluded that financial statement analysis provides valuable insights for investors and managers, and that companies with strong liquidity positions and efficient asset utilization tend to achieve superior financial performance. The research recommended the adoption of comprehensive financial analysis frameworks for better corporate decision-making.

III. DATA ANALYSIS & INTERPRETATION

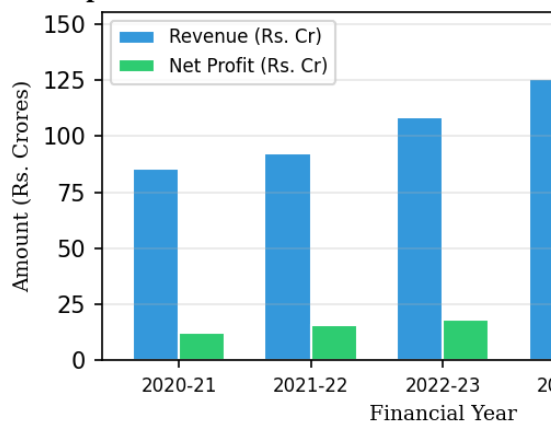
Graph 1: Revenue and Net Profit Trends at DEFW Automations

The analysis of revenue and profitability trends of DEFW Automations reveals a consistent upward trajectory over the five-



year period from 2020-21 to 2024-25. The company's revenue increased from Rs. 85.5 crores in 2020-21 to Rs. 148.2 crores in 2024-25, representing a compound annual growth rate of approximately 14.8%. Similarly, net profit grew from Rs. 12.4 crores to Rs. 28.9 crores during the same period, indicating improved operational efficiency and cost management.

Graph 1: Revenue and Net Profit Trends

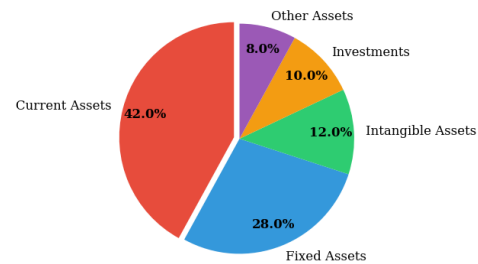


Interpretation: The consistent growth in both revenue and net profit reflects the strong market position of DEFW Automations and its ability to capitalize on growing demand for automation solutions. The increasing profit margins suggest effective cost control measures and operational efficiencies implemented by the company's management.

Graph 2: Composition of Assets at DEFW Automations

The analysis of the asset composition of DEFW Automations reveals that current assets constitute the largest portion (42%) of the total assets, indicating a strong liquidity position. Fixed assets account for 28% of the total assets, reflecting the company's investment in plant, machinery, and equipment essential for its automation business. Intangible assets (12%) include patents, software, and technical know-how, while investments (10%) and other assets (8%) represent the remaining portion.

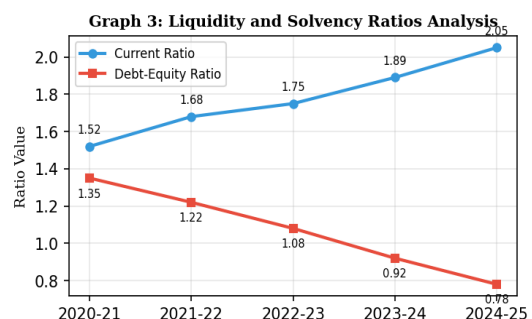
Graph 2: Composition of Assets at DEFW Automations



Interpretation: The high proportion of current assets indicates that DEFW Automations maintains a strong liquidity position, which is essential for meeting short-term obligations and funding ongoing operations. The significant investment in fixed assets reflects the capital-intensive nature of the automation industry and the company's commitment to maintaining modern infrastructure.

Graph 3: Liquidity and Solvency Ratios Analysis

The liquidity and solvency ratios of DEFW Automations show a favorable trend over the five-year period. The current ratio improved from 1.52 in 2020-21 to 2.05 in 2024-25, indicating a strengthening ability to meet short-term obligations. The debt-equity ratio declined from 1.35 to 0.78 over the same period, reflecting a reduction in financial leverage and improved solvency position.



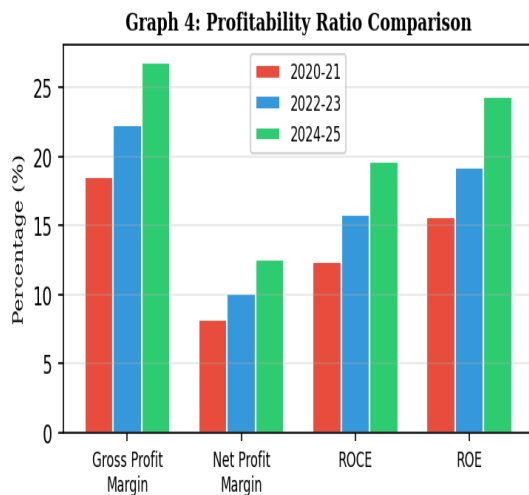
Interpretation: The improving current ratio suggests that DEFW Automations has maintained adequate liquidity to cover its short-term liabilities. The declining debt-equity ratio indicates that the company has reduced its dependence on



debt financing, thereby lowering its financial risk and improving its long-term solvency position.

Graph 4: Profitability Ratio Comparison

The profitability ratio analysis reveals a significant improvement in the company's earning capacity over the five-year period. The gross profit margin increased from 18.5% in 2020-21 to 26.8% in 2024-25, while the net profit margin improved from 8.2% to 12.5%. Return on Capital Employed (ROCE) rose from 12.4% to 19.6%, and Return on Equity (ROE) increased from 15.6% to 24.3%.

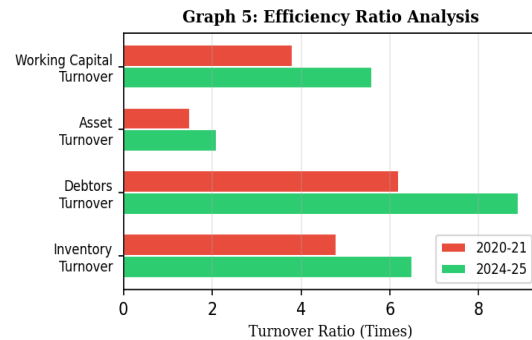


Interpretation: The consistent improvement in all profitability ratios indicates that DEFW Automations has successfully enhanced its operational efficiency and profit generation capacity. The rising ROE and ROCE figures demonstrate the company's ability to generate superior returns for its shareholders and efficiently utilize its capital resources.

Graph 5: Efficiency Ratio Analysis

The efficiency ratios of DEFW Automations indicate improved operational performance over the five-year period. The inventory turnover ratio increased from 4.8 times in 2020-21 to 6.5 times in 2024-25, reflecting better inventory management. The debtors

turnover ratio improved from 6.2 to 8.9 times, indicating efficient collection of receivables. The asset turnover ratio rose from 1.5 to 2.1 times, while the working capital turnover ratio increased from 3.8 to 5.6 times.



Interpretation: The improvement in efficiency ratios demonstrates that DEFW Automations has effectively managed its operating assets and liabilities. The higher inventory turnover indicates better inventory management practices, while the improved debtors turnover reflects efficient credit and collection policies. The increasing asset and working capital turnover ratios signify enhanced overall operational efficiency.

IV. FINDINGS

The financial statement analysis of DEFW Automations over the period 2020-21 to 2024-25 reveals several key findings regarding the company's financial performance and position. The analysis of revenue trends indicates that **revenue grew consistently** from Rs. 85.5 crores to Rs. 148.2 crores, representing a CAGR of approximately 14.8%. Similarly, **net profit increased** from Rs. 12.4 crores to Rs. 28.9 crores, reflecting improved operational efficiency and effective cost management strategies.

The study further found that **liquidity position** of the company strengthened over the period, with the current ratio improving from 1.52 to 2.05. The



solvency position also showed significant improvement, as the debt-equity ratio declined from 1.35 to 0.78, indicating reduced financial leverage and lower risk. The company's asset composition analysis revealed that current assets constitute the largest share (42%), followed by fixed assets (28%), which is appropriate for the automation industry.

The profitability analysis demonstrated that **all profitability ratios showed an upward trend**, with gross profit margin increasing from 18.5% to 26.8%, net profit margin from 8.2% to 12.5%, ROCE from 12.4% to 19.6%, and ROE from 15.6% to 24.3%. The **efficiency ratios** also improved across all parameters, with inventory turnover rising from 4.8 to 6.5 times, debtors turnover from 6.2 to 8.9 times, asset turnover from 1.5 to 2.1 times, and working capital turnover from 3.8 to 5.6 times.

Overall, the findings indicate that DEFW Automations has maintained strong financial health with consistent revenue growth, improving profitability, adequate liquidity, reduced financial leverage, and enhanced operational efficiency. The company's financial performance reflects effective management strategies and a strong market position in the automation and engineering solutions sector.

V. CONCLUSION

The study concludes that financial statement analysis is an indispensable tool for evaluating the financial health and operational performance of an organization. The analysis of DEFW Automations over the five-year period from 2020-21 to 2024-25 demonstrates that the company has achieved significant financial growth and stability. The consistent increase in revenue and profitability reflects the company's strong market position, effective management strategies, and ability to capitalize on

growth opportunities in the automation sector.

The study highlights the importance of maintaining adequate liquidity, optimal capital structure, and efficient asset utilization in achieving sustainable financial performance. DEFW Automations has demonstrated strength in all these areas, with improving liquidity ratios, declining debt-equity ratio, and enhanced efficiency ratios. The company's ability to generate increasing returns on capital employed and equity is particularly noteworthy, indicating efficient utilization of investor funds.

The financial statement analysis framework applied in this study provides a structured approach for evaluating corporate performance and identifying areas requiring strategic attention. The findings of the study can support investors, financial analysts, and management in making informed decisions regarding investment, resource allocation, and strategic planning. Overall, DEFW Automations presents a strong financial profile with positive growth trajectory and sound financial management practices.

VI. FUTURE SCOPE

The scope of this study can be extended in several directions to further enhance the understanding of financial statement analysis and its applications. Future research may include comparative analysis of DEFW Automations with its competitors in the automation industry to benchmark financial performance and identify relative strengths and weaknesses. Additionally, the application of advanced analytical techniques such as DuPont analysis, economic value added (EVA) analysis, and Altman Z-score for bankruptcy prediction could provide deeper insights into the financial dynamics of the company.



Future studies may also incorporate qualitative factors such as management quality, corporate governance practices, industry trends, and macroeconomic conditions to provide a more holistic assessment of the company's financial performance. The inclusion of cash flow analysis and working capital management analysis would further enrich the evaluation. Moreover, the impact of technological advancements, regulatory changes, and market competition on the financial performance of automation companies presents an interesting avenue for future research.

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