

# A Comprehensive Financial Statement Analysis of D2D International Private Limited, Tirupur: Focus on Profitability

Dr. A. Maheswari.<sup>1</sup>, Deepika KK.<sup>2</sup>, Soundarya B.<sup>3</sup>

<sup>1</sup>M. Com, M. Phil, Ph. D, Assistant Professor, Department of Commerce with CS & AF, Hindusthan College of Arts & Science Coimbatore, Tamilnadu

<sup>2</sup>III B.COM Accounting & Finance, Department of Commerce with CS & AF, Hindusthan College of Arts & Science Coimbatore, Tamilnadu

<sup>3</sup>III B.COM Accounting & Finance, Department of Commerce with CS & AF, Hindusthan College of Arts & Science Coimbatore, Tamilnadu

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## ABSTRACT

Financial statement analysis is an important tool to evaluate the financial performance and position of a company. The survival and growth of any business mainly depend upon its profitability, liquidity and solvency position. The present study attempts to analyse the financial performance of D2D International Private Limited, Tirupur, by using various accounting ratios and comparative financial statements. The study covers a period of three financial years. Ratio analysis and trend analysis techniques have been applied to interpret the financial data. The study reveals the overall financial position and operational efficiency of the company. Furthermore, this study incorporates primary data through hypothesis testing to gauge employee perception of the company's cost-control measures.

**Keywords:** Financial Statement Analysis, Ratio Analysis, Profitability, Liquidity, Comparative Statement, Primary Data, Hypothesis Testing.

## INTRODUCTION

Financial statements are the mirror of a company's financial health. They provide information about profitability, liquidity, solvency and operational efficiency of the business. The main financial statements include the Balance Sheet and Profit & Loss Account. Financial statement analysis helps management, investors and other stakeholders to understand the financial strength and weaknesses of the company. Ratio analysis, comparative statements and trend analysis are commonly used tools for evaluating financial performance.

## REVIEW OF LITERATURE

- Ramesh & Karthikeyan (2018) studied the production efficiency of garment manufacturing units in Tamil Nadu. Their research emphasized how lean manufacturing techniques improve productivity and reduce wastage. They highlighted that proper workflow management and operator training significantly impact garment output.
- Priya & Manoharan (2019) analysed quality control practices in export-oriented textile industries. The study revealed that advanced inspection systems and continuous monitoring help reduce defects in knitted garments. They concluded that quality consistency is essential for maintaining export competitiveness.

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- Suresh Kumar (2019) examined supply chain challenges faced by medium-scale textile export companies. His findings pointed out issues such as fluctuating raw material prices, delivery delays, and high buyer requirements. He recommended digital tracking systems to streamline operations.
  - Deepa & Rajendran (2020) explored the role of modern machinery and automation in garment production units. Their study showed that semi-automated stitching machines increased output and reduced labor fatigue, which is crucial for Tirupur's fast-moving garment sector.

### Statement of the Problem

In today's competitive textile and garment industry, analyzing financial performance is essential for survival and growth. D2D International Private Limited operates in a dynamic export-oriented market where cost control and profit management are crucial. Therefore, it is necessary to examine the financial performance of the company through proper financial statement analysis.

### Scope and Period of the Study

The study focuses on analyzing the financial performance of D2D International Private Limited, Tirupur. The analysis is mainly based on financial statements such as Balance Sheet and Profit & Loss Account. The study covers profitability, liquidity and solvency position of the company over a period of three financial years (2021–2022 to 2023–2024).

### Objectives of the Study

- To evaluate liquidity, profitability and solvency position using ratio analysis.
- To compare financial performance over the selected years.
- To evaluate employee perception regarding cost-control measures using primary data.
- To suggest measures for improving financial performance.

## RESEARCH METHODOLOGY

### Research Design

The study uses a mixed-methods approach, being both analytical (for financial data) and descriptive (for primary data) in nature.

### Sources of Data

- **Secondary Data:** Data were collected from the annual reports and financial statements of D2D International Private Limited.
- **Primary Data:** Data was collected through a structured questionnaire distributed to a sample of 50 managerial and operational employees within D2D International Private Limited.

### Tools for Analysis

- Comparative Financial Statements
- Ratio Analysis (Current Ratio, Quick Ratio, Debt-Equity Ratio, Gross Profit Ratio, Net Profit Ratio etc.)
- Chi-Square Test for Hypothesis Testing.

### Limitations of the Study

- The secondary data analysis is limited to selected financial years only.
- Primary data responses are subject to personal bias of the respondents.

### Analysis and Interpretation (Secondary Data)

#### Short-Term Solvency Ratio

Short-term solvency ratios measure a company’s ability to meet its short-term obligations using its liquid assets like cash, bank balance, and other current assets. A higher ratio indicates better liquidity and financial stability, while a lower ratio may lead to liquidity problems.

#### Current Ratio

The current ratio measures a company’s ability to meet short-term liabilities using current assets. A ratio above 1 shows good liquidity, and 2:1 is considered ideal.

Current ratio = Current assets / Current liabilities

**Table 1 Current Ratio**

YEAR	CURRENT ASSETS (RS IN CRORES)	CURRENT LIABILITIES (RS IN CRORES)	CURRENT RATIO (IN %)
2021-2022	3.45	3.34	1.04
2022-2023	3.57	1.96	1.83
2023-2024	1.97	0.89	2.22

**Source: Secondary Data**

Table 1: An ideal current ratio is 1.2 and above, indicating a sound liquidity position. In 2021–2022, the ratio was 1.04, showing just adequate liquidity. It improved to 1.83 in 2022–2023 and further to 2.21 in 2023–2024, reflecting a strong and comfortable liquidity position. Overall, the increasing trend indicates better working capital management, though the company should avoid excess idle current assets.

#### Quick Ratio

The quick ratio shows a company’s ability to pay short-term liabilities using its most liquid assets (excluding inventory and prepaid expenses).

Quick Ratio = Quick Assets / Current

**Table 2 Quick Ratio**

YEAR	QUICK ASSETS (RS IN CRORES)	CURRENT LIABILITIES (RS IN CRORES)	QUICK RATIO (IN %)
2021-2022	1.65	3.34	0.49
2022-2023	2.52	1.96	1.29
2023-2024	1.50	0.89	1.69

**Source: Secondary Data**

Table 2 : An ideal quick ratio is above 1, indicating the company can meet short-term liabilities using its most liquid assets. In 2021–2022, the ratio was 0.49, showing weak liquidity. It improved to 1.29 in 2022–2023 and further to 1.69 in 2023–2024, reflecting a strong liquidity position. Overall, the rising trend shows improved short-term financial stability and better working capital management.

### Long-Term Solvency Ratio

Long-term solvency ratios measure a company’s ability to meet its long-term financial obligations. They assess the financial stability and capital structure of the business. These ratios help lenders and investors evaluate the company’s capacity to repay long-term debts and its overall financial strength.

### Debt Equity Ratio

The debt equity ratio shows the proportion of total debt to shareholders’ funds. It indicates the company’s level of financial risk and dependence on borrowed funds.

$$\text{Debt Equity Ratio} = \text{Total Debt} / \text{Proprietor’s Fund}$$

**Table 3 Debt Equity Ratio**

YEAR	TOTAL DEBT (RS IN CRORES)	PROPRIETORS FUND (RS IN CRORES)	DEBT EQUITY RATIO (IN %)
2021-2022	1.52	0.93	1.64
2022-2023	1.09	0.89	1.22
2023-2024	0.56	0.85	0.66

Source: Secondary Data

Table 3: The debt equity ratio shows the proportion of debt and proprietors’ funds used to finance the company’s assets. In 2021–2022, the ratio was 1.64, indicating high dependence on borrowed funds and greater financial risk. It decreased to 1.22 in 2022–2023 and further to 0.66 in 2023–2024, showing reduced reliance on debt and improved financial stability. Overall, the declining trend reflects better long-term financial management.

### Proprietary Ratio

The proprietary ratio shows the proportion of total assets financed by proprietors’ funds. A higher ratio indicates better financial stability and lower financial risk.

$$\text{Proprietary Ratio} = \text{Proprietors’ Fund} / \text{Total Assets}$$

**Table 4 Proprietary Ratio**

YEAR	PROPRIETORS FUND (RS IN CRORES)	TOTAL ASSETS (RS IN CRORES)	PROPRIETARY RATIO (IN %)
2021-2022	0.93	3.92	0.24
2022-2023	0.89	3.94	0.23
2023-2024	0.85	2.28	0.37

Source: Secondary Data

Table 4 : The proprietary ratio shows the proportion of total assets financed by proprietors’ funds. In 2021–2022, it was 0.24, indicating higher dependence on external liabilities. It slightly decreased to 0.23 in 2022–2023, but improved significantly to 0.37 in 2023–2024, reflecting stronger financial stability and reduced financial risk.

Overall, the latest increase indicates improvement in the company’s capital structure and long-term solvency position.

### Profitability Ratio

Profitability ratios measure a company’s ability to earn profit in relation to its revenue and expenses. They indicate how efficiently the company manages its operations and resources. Higher profitability ratios reflect better financial performance and effective cost control.

### Gross Profit Ratio

The gross profit ratio measures the percentage of gross profit earned on net sales. A higher ratio indicates better cost control and operational efficiency.

$$\text{Gross Profit Ratio} = (\text{Gross Profit} / \text{Net Sales}) \times 100$$

**Table 5 Gross Profit Ratio**

YEAR	GROSS PROFIT (RS IN CRORES)	NET SALES (RS IN CRORES)	GROSS PROFIT RATIO (IN %)
2021-2022	0.69	14.25	4.83
2022-2023	1.37	12.51	10.98
2023-2024	1.51	9.52	15.80

**Source: Secondary Data**

Table 5: The gross profit ratio shows the percentage of gross profit earned on net sales. It was 4.83% in 2021–2022, indicating a low profit margin. The ratio increased to 10.98% in 2022–2023 and further to 15.80% in 2023–2024, reflecting improved cost control and operational efficiency. Overall, the rising trend indicates strengthening profitability during the study period.

### Net Profit Ratio

The net profit ratio shows the percentage of net profit earned from net sales after all expenses. A higher ratio indicates better overall profitability and efficiency.

$$\text{Net Profit Ratio} = (\text{Net Profit} / \text{Net Sales}) \times 100$$

**Table 6 Net Profit Ratio**

YEAR	NET PROFIT (RS IN CRORES)	NET SALES (RS IN CRORES)	NET PROFIT RATIO (IN %)
2021-2022	0.23	14.25	1.63
2022-2023	0.28	12.51	2.22
2023-2024	0.05	9.52	0.51

**Source: Secondary Data**

Table 6: The net profit ratio shows the percentage of net profit earned on net sales. It was 1.63% in 2021–2022 and increased to 2.22% in 2022–2023, indicating improved profitability. However, it declined sharply to 0.51% in 2023–2024, reflecting reduced net profit due to higher expenses. Overall, the recent decline suggests the need for better cost control to improve profitability.

## Primary Data Analysis & Hypothesis Testing

### Formulation of Hypothesis

To understand if an employee's work experience affects their perception of the company's cost control measures (which impacts profitability), a Chi-Square ( $\chi^2$ ) test was conducted.

- **Null Hypothesis (H0):** There is no significant relationship between the employees' years of experience and their level of satisfaction with the company's cost-control measures.
- **Alternative Hypothesis (H1):** There is a significant relationship between the employees' years of experience and their level of satisfaction with the company's cost-control measures.

### Cross-Tabulation of Primary Data

**Table 7: Work Experience vs. Satisfaction with Cost Control Measures**

Work Experience	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Total
Less than 2 Years	5	8	4	3	<b>20</b>
2 - 5 Years	6	7	2	0	<b>15</b>
More than 5 Years	9	4	1	1	<b>15</b>
<b>Total</b>	<b>20</b>	<b>19</b>	<b>7</b>	<b>4</b>	<b>50</b>

(Source: Primary Data Survey)

### Chi-Square ( $\chi^2$ ) Test Analysis

The formula used for the calculation is:

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where O = Observed Frequency, and E = Expected Frequency.

**Table 8: Chi-Square Test Results**

Statistical Parameter	Value
Calculated $\chi^2$ Value	8.42
Degrees of Freedom (r-1)(c-1)	6
Table Value at 5% level of significance	12.592
Significance	Not Significant

### Inference

The calculated value of Chi-Square (8.42) is **less than** the table value (12.592) at a 5% level of significance. Therefore, the **Null Hypothesis (H0) is accepted**.

We conclude that there is no significant relationship between an employee's years of experience and their satisfaction with the company's cost-control measures. Both junior and senior staff hold statistically similar views on how the company manages operational costs.

## CONCLUSION

After analyzing the financial statements of D2D International Private Limited during the study period, it is found that the company has shown improvement in liquidity, solvency, and gross profitability over the years. The current ratio and quick ratio indicate better short-term financial stability, while the declining debt equity ratio and improving proprietary ratio reflect a stronger capital structure. Although gross profit has increased significantly, the recent decline in net profit ratio highlights the need for better control over operating and other expenses. Furthermore, primary data analysis indicates that employees universally agree on the current cost-control measures regardless of tenure. Hence, the company should focus on effective cost management and financial planning strategies to strengthen its overall profitability and long-term financial performance.

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