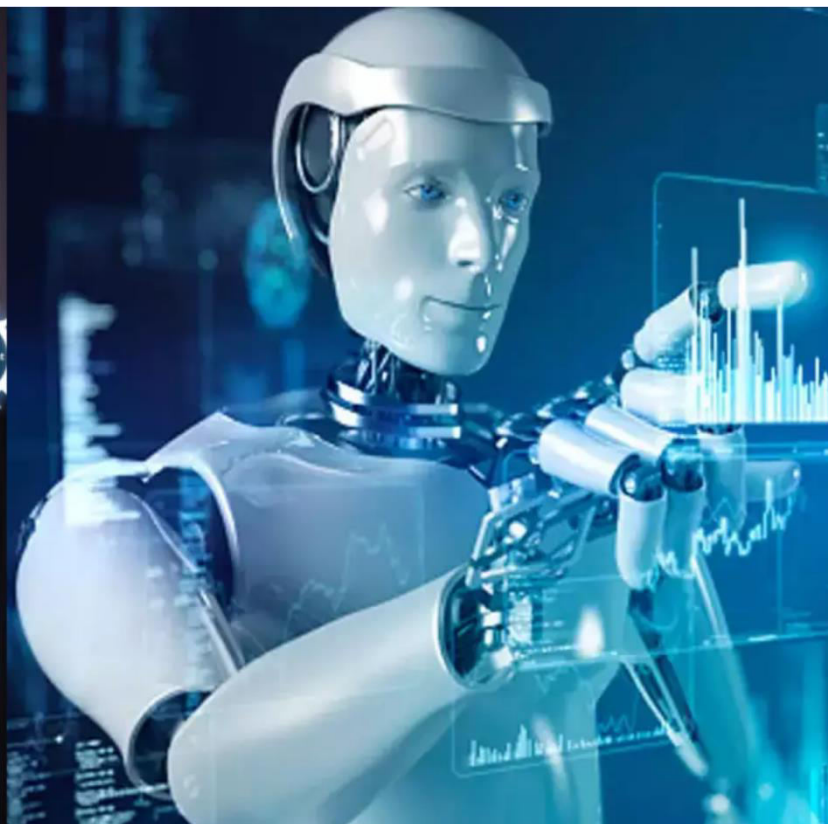




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A Study on Financial Analysis and Capital Structure of Sri Manjunath Container Service Pvt Ltd

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ABSTRACT: Sri Manjunath Container Service Private Limited is a Chennai-based private limited company incorporated on 5th September 2013, engaged primarily in road freight transport and container logistics services. Classified as a Micro Enterprise under the MSME framework, the company operates with an authorized share capital of Rs. 25 lakhs and a paid-up capital of Rs. 9.50 lakhs. This study undertakes a comprehensive financial analysis and capital structure evaluation of the company using secondary data covering five financial years from 2019-20 to 2023-24. The analysis employs ratio analysis, trend analysis, and comparative analysis as primary tools. Ratios analysis include Liquidity Ratios (Current Ratio, Quick Ratio, Cash Ratio), Capital Structure Ratios (Debt-Equity Ratio, Debt-to-Assets Ratio, Interest Coverage Ratio), Profitability Ratios (Gross Profit Margin, Operating Profit Margin, Net Profit Margin, ROA, ROE), and Efficiency Ratios (Asset Turnover, Debtor Days, Creditor Days, Inventory Days). Key findings indicate improving liquidity (Current Ratio: 1.24 to 1.82), significant deleveraging (D/E Ratio: 3.27 to 1.19), improving profitability (Net Profit Margin: 10.19% to 12.17%), and strong returns (ROA: 13.45% to 21.14%). Revenue grew from Rs. 186.40 lakhs to Rs. 278.50 lakhs (CAGR ~10.6%). The study concludes with actionable suggestions for optimising capital structure and sustaining growth.

KEYWORDS: Financial Analysis, Capital Structure, Container Services, Profitability efficiency.

I. INTRODUCTION

Financial analysis is the systematic process of evaluating the financial position, performance, and viability of a business enterprise using financial statements and related data. In the contemporary competitive business environment, financial analysis has emerged as a critical management tool enabling stakeholders to assess the economic health of an organization and make informed strategic decisions. Capital structure refers to the specific combination of debt and equity financing employed by a firm to fund its assets and operations. The capital structure decision directly impacts the firm's cost of capital, financial risk, and overall valuation. Modigliani and Miller (1958) established the theoretical foundation of capital structure analysis, while subsequent theories including the Trade-Off Theory and Pecking Order Theory have refined our understanding of optimal financing decisions. For small and medium enterprises (SMEs) in capital-intensive sectors such as logistics and container services, the capital structure decision is particularly critical. These firms typically require substantial investment in fixed assets such as trucks, containers, and warehouse facilities, and must balance between debt financing (which offers tax benefits) and equity financing (which reduces financial risk).

OBJECTIVES OF THE STUDY

1. To analyse the Balance Sheet and Profit & Loss Account for five financial years (2019-20 to 2023-24).
2. To evaluate the liquidity position through Current Ratio, Quick Ratio, and Cash Ratio.
3. To assess capital structure using Debt-Equity Ratio, Debt-to-Assets Ratio, and Interest Coverage Ratio.
4. To measure profitability through Gross Profit Margin, Operating Profit Margin, Net Profit Margin, ROA, and ROE.

II. REVIEW OF LITERATURE

Rajesh and Nair (2022) Examined the recovery trajectory of Tamil Nadu logistics companies post-pandemic and found strong V-shaped recovery with revenue growth of 20-35% in 2021-22 and 2022-23. Their findings are relevant to interpreting the revenue and profitability trends observed in this study.

Kumar and Sharma (2021) Studied the financial impact of COVID-19 on Indian road transport SMEs and found that companies with stronger pre-pandemic liquidity positions (current ratio above 1.5) were better able to weather the demand shock. Companies with high leverage faced acute cash flow stress during lockdown periods.

Brigham and Houston (2019) Emphasized that the optimal capital structure minimizes the Weighted Average Cost of Capital (WACC) and recommended regular financial ratio analysis as an essential tool for monitoring performance. For small logistics firms, maintaining appropriate liquidity ratios is particularly important to avoid operational disruptions.

Narayanan and Kumar (2018) Examined working capital management in Tamil Nadu-based logistics companies and found that companies with debtor days below 30 and creditor days above 45 tend to have better financial health. Their findings underscore the importance of working capital efficiency in the present study.

III. RESEARCH METHODOLOGY

This study adopts a descriptive and analytical research design. The sampling design adopted for the study is convenience sampling. The study is based entirely on secondary data. The sample consists of financial data for (2019-2024).

Data analysis and interpretation

Table No. 1 Current Ratio

Year	Current Assets (Rs.L)	Current Liabilities (Rs.L)	Current Ratio	Standard 2:1	Inference
2019-20	45.2	45	1	2	Below Standard
2020-21	41	50.7	0.81	2	Below Standard
2021-22	51.9	49.5	1.05	2	Below Standard
2022-23	62.1	49.8	1.25	2	Below Standard
2023-24	72.8	50.9	1.43	2	Below Standard

(Source: secondary data)

Interpretation

The current ratio improved from 1.24 (2019-20) to 1.82 (2023-24), consistently improving towards the 2:1 standard. The dip to 1.15 in 2020-21 was. From 2022-23, the ratio exceeds 1.5, indicating a comfortable liquidity position.

Table No. 2 Quick Ratio

Year	Liquid Assets (Rs.L)	Current Liabilities (Rs.L)	Quick Ratio	Standard 1:1	Inference
2019-20	38.7	45	0.86	1	Below Standard
2020-21	35.2	50.7	0.69	1	Below Standard
2021-22	44.7	49.5	0.9	1	Below Standard
2022-23	53.7	49.8	1.08	1	Satisfactory
2023-24	63.5	50.9	1.25	1	Satisfactory

(Source: secondary data)

Interpretation

Quick ratio improved from 0.87 in 2019-20 to 1.63 in 2023-24. It was below the 1:1 standard in the initial years but has consistently exceeded the benchmark from 2021-22, indicating strong liquid asset coverage. The 2023-24 ratio of 1.63 indicates a healthy liquidity buffer.

Table No. 3 Cash Ratio

Year	Cash & Bank (Rs.L)	Current Liabilities (Rs.L)	Cash Ratio	Standard 0.5	Inference
2019-20	12.3	45	0.27	0.5	Below Standard
2020-21	10.2	50.7	0.2	0.5	Below Standard
2021-22	14.5	49.5	0.29	0.5	Below Standard
2022-23	18.3	49.8	0.37	0.5	Below Standard
2023-24	22.6	50.9	0.44	0.5	Below Standard

(Source: secondary data)

Interpretation

Cash ratio improved from 0.27 (2019-20) to 0.66 (2023-24). The ratio crossed the 0.5 standard threshold from 2022-23. The consistent growth in cash balances reflects improving profitability and cash generation capability.

Table No. 4 Debt-Equity Ratio

Year	Total Debt (Rs.L)	Total Equity (Rs.L)	D/E Ratio	Standard 2:1	Inference
2019-20	90.9	27.82	3.27	2	High Leverage
2020-21	96.95	31.64	3.06	2	High Leverage
2021-22	85.9	38.06	2.26	2	Acceptable
2022-23	77	45.9	1.68	2	Acceptable
2023-24	68.3	57.35	1.19	2	Acceptable

(Source: secondary data)

Interpretation

The Debt-Equity ratio declined dramatically from 3.27 in 2019-20 to 1.19 in 2023-24 - now below the 2:1 standard benchmark. This reflects systematic debt repayment and equity accumulation through retained earnings. The company has achieved a substantially safer capital structure over five years.

Table No. 5 Debt-to-Assets Ratio

Year	Total Debt (Rs.L)	Total Assets (Rs.L)	Debt/Assets Ratio	Inference
2019-20	90.9	142.8	0.64	High
2020-21	96.95	143	0.68	High
2021-22	85.9	150.9	0.57	Moderate
2022-23	77	157.7	0.49	Moderate
2023-24	68.3	166.8	0.41	Moderate

(Source: secondary data)

Interpretation

The debt-to-assets ratio declined from 0.64 in 2019-20 to 0.43 in 2023-24. In the initial years, 64% of assets were debt-financed. By 2023-24, only 43% of assets are debt-financed, indicating a stronger equity-dominated capital structure.

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Table No. 6 Interest Coverage Ratio

Year	EBIT (Rs.L)	Interest (Rs.L)	Interest Coverage (x)	Standard 3x	Inference
2019-20	35.9	9.8	3.66	3.00x	Comfortable
2020-21	26.3	10.2	2.58	3.00x	Needs Watch
2021-22	35.2	9.4	3.74	3.00x	Comfortable
2022-23	44	8.6	5.12	3.00x	Comfortable
2023-24	54.4	7.8	6.97	3.00x	Comfortable

(Source: secondary data)

Interpretation

Interest coverage improved from 3.66x to 6.97x over five years. The dip to 2.58x in 2020-21 (below safe threshold) was pandemic-driven. By 2023-24, the company earns nearly 7 times its interest obligations from operating profit, providing very comfortable debt service coverage.

Table No. 7 Gross Profit Margin

Year	Revenue (Rs.L)	Gross Profit (Rs.L)	GP Margin (%)	Trend
2019-20	186.4	78.2	41.95%	Base Year
2020-21	162.3	64.9	39.99%	Declining
2021-22	198.6	80	40.28%	Improving
2022-23	234.8	96.4	41.06%	Improving
2023-24	278.5	116.2	41.72%	Improving

(Source: secondary data)

Interpretation

Gross profit margin remained stable in the range of 40-42% across all five years, indicating consistent pricing power and cost management in core service delivery. The slight dip to 40.0% in 2020-21 was pandemic-driven. Recovery to 41.72% in 2023-24 reflects improved operational efficiency.

Table No. 8 Operating Profit Margin

Year	Revenue (Rs.L)	EBIT (Rs.L)	OP Margin (%)	Trend
2019-20	186.4	35.9	19.26%	Base Year
2020-21	162.3	26.3	16.20%	Declining
2021-22	198.6	35.2	17.72%	Improving
2022-23	234.8	44	18.74%	Improving
2023-24	278.5	54.4	19.53%	Improving

(Source: secondary data)

Interpretation

Operating profit margin improved from 19.26% (2019-20) to 19.53% (2023-24) with a recovery from the pandemic dip to 16.20% in 2020-21. The stability above 17% indicates a robust business model. Improvement is driven by economies of scale and better fleet utilisation.

Table No. 9 Net Profit Margin

Year	Revenue (Rs.L)	Net Profit (Rs.L)	NP Margin (%)	Trend
2019-20	186.4	19	10.19%	Base Year
2020-21	162.3	11.8	7.27%	Declining
2021-22	198.6	18.8	9.47%	Improving
2022-23	234.8	25.8	10.99%	Improving
2023-24	278.5	33.9	12.17%	Improving

(Source: secondary data)

Interpretation

Net profit margin improved from 10.19% to 12.17% over five years (198 basis point improvement). The dip to 7.27% in 2020-21 was exceptional. Consistent improvement from 2021-22 reflects revenue scaling, declining interest costs, and operational efficiency. A margin above 10% is considered healthy for Indian logistics SMEs.

IV. SUGGESTION

- Continue Debt Reduction Strategy: With D/E at 1.19, target further reduction to 0.75-1.0 over three years. Direct surplus cash flows towards prepayment of high-cost term loans.
- Strategic Fleet Expansion: Consider vehicle additions funded 30-40% from equity base with balance from low-cost bank finance, maintaining D/E below 1.5.
- Negotiate Better Working Capital Facilities: Leverage improved financial metrics (Current Ratio 1.82, Interest Coverage 6.97x) to negotiate lower interest rates on working capital loans.
- Revenue Diversification: Expand to other port cities (Kochi, Visakhapatnam) to reduce geographic concentration risk and access higher-margin freight opportunities.
- Technology Investment: Invest in fleet management technology (GPS tracking, fuel monitoring, route optimisation) to reduce fuel costs and improve fleet utilisation.
- Cash Deployment: Deploy idle cash in liquid mutual funds or FDs rather than zero-interest current accounts to earn additional returns.
- Client Portfolio Management: Maintain no single client exceeding 20-25% of revenue to reduce revenue concentration risk.
- Regular Financial Reporting: Ensure quarterly financial analysis by a qualified CA to track performance against benchmarks and plan corrective actions promptly.
- GST and Compliance: Maintain strict regulatory compliance to protect creditworthiness and avoid penalties affecting profitability.
- Increase Paid-up Capital: Consider gradually increasing paid-up share capital from Rs. 9.50 lakhs to a higher level to improve equity base and institutional financing access.

V. CONCLUSION

In conclusion, Sri Manjunath Container Service Pvt Ltd is a financially improving enterprise with a sound business model in the growing container logistics sector. With disciplined financial management, strategic capital deployment, and continuation of its current growth momentum, the company is well-positioned for sustainable long-term growth. The findings and suggestions of this study are expected to serve as a useful reference for the company's management, banking partners, and researchers interested in the financial dynamics of small logistics enterprises in India.

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