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Analysis of Business Performance Through Financial and Sales Records: A Client-Based Study at C.A. Ganesan Auditor Office

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Abstract

This article presents a business performance analysis of Baji Textiles, Sivagangai, Tamil Nadu, a sole proprietorship textile showroom with over six decades of operations, conducted through the C.A. Ganesan Auditor Office. The study employs ratio analysis, Pareto analysis, sales trend comparison, stock ageing reports, and investment-to-conversion analysis using financial statements and billing software data for FY 2021-22 and FY 2022-23. Key findings reveal a 20.74% growth in sales, a net profit ratio of 18.83%, and an operating cost of 97.51%, indicating lean margins and the need for cost optimisation. The stock ageing analysis identified that 50% of inventory is older than six months, posing a significant working capital risk. Pareto analysis confirmed that the top 10 product sections contribute 80% of revenue. The study concludes with actionable recommendations centred on inventory management, product diversification, digital marketing, and statutory compliance.

Keywords: business performance analysis, financial ratios, textile industry, inventory management, sales trend, sole proprietorship, Pareto analysis, working capital

1. Introduction

The textile industry remains one of the most significant contributors to employment and GDP in developing economies, particularly in India. Within this landscape, small and medium-sized enterprises (SMEs) operating as sole proprietorships occupy a critical but often under-analysed segment of the market. These businesses, while agile and deeply rooted in local commerce, frequently lack the sophisticated financial monitoring frameworks that characterise larger corporations.

Baji Textiles, established in 1962 in Sivagangai, Tamil Nadu, exemplifies this archetype. Originally a tailor shop, it has grown into a full-fledged textiles showroom with annual revenues approaching Rs. 9 crores, over 50 employees, and a supply chain extending from Tamil Nadu to Surat. The business remains centrally focused on men's fashion and operates primarily through proprietor capital, with limited external borrowings.

This study was undertaken at C.A. Ganesan Auditor Office as part of a client-based consultancy engagement. It aims to provide a comprehensive picture of the firm's financial health, sales performance, and operational efficiency — ultimately informing managerial and investment decisions for the proprietor.

2. Objectives of the Study

The study pursues the following objectives:

1. To analyse the financial position and profitability of Baji Textiles across two fiscal years.
2. To evaluate sales trends and segment-level performance using billing data.
3. To assess inventory efficiency through stock ageing and investment-to-conversion analysis.
4. To verify statutory compliance including GST, TDS, EPF, and ESI obligations.
5. To identify strengths, weaknesses, opportunities, and threats through SWOT analysis.

3. Research Methodology

The study adopts a mixed-methods approach, integrating quantitative financial analysis with qualitative contextual interpretation. Primary data were sourced directly from the client's billing software (Tally) and financial records including Profit & Loss statements and Balance Sheets. The analytical tools employed include:

- Ratio Analysis (liquidity, profitability, efficiency, and solvency ratios)
- Sales Trend Comparison (month-on-month across FY 21-22 and FY 22-23)
- Investment-to-Conversion Analysis (inventory turnover by value and quantity)
- Stock Ageing Report (categorised by age brackets up to 5+ years)
- Pareto Analysis (80/20 rule applied to product section revenue)
- ANOVA Statistical Testing (hypothesis testing on client GST satisfaction)
- SWOT Analysis (internal and external strategic assessment)

Data limitations included restricted access to sensitive financial records, a brief internship duration, and incomplete historical statistical data for certain periods.

4. Financial Performance Analysis

4.1 Profitability Review (FY 21-22 vs FY 22-23)

Table 1 summarises the comparative profitability position of Baji Textiles across the two study years.

Table 1: Comparative Profitability – Baji Textiles

Particulars	FY 22-23 (₹)	FY 21-22 (₹)
Sales	9,20,83,427	7,62,64,448
Cost of Goods Sold	6,39,07,029	5,34,72,473
Gross Profit	2,81,76,399	2,27,91,974
Net Profit	1,73,38,813	1,35,93,230
Gross Profit %	30.60%	29.89%

Net Profit %	18.83%	17.82%
Sales Growth	20.74%	—

Source: Client Financial Records, CA Ganesan Office

Sales grew by 20.74% year-on-year, driven primarily by volume expansion rather than price increases. The gross profit margin improved marginally from 29.89% to 30.60%, while net profit margin rose from 17.82% to 18.83%, reflecting better cost management despite a 19.51% rise in cost of goods sold. Employee expenses recorded the sharpest increase at approximately 50%, signalling workforce expansion in anticipation of further growth.

4.2 Key Financial Ratios (FY 21-22)

The ratio analysis for the period April 2022 to March 2023 reveals a broadly healthy but operationally constrained financial position:

Ratio	Value	Interpretation
Current Ratio	1.66 : 1	Adequate short-term liquidity
Quick Ratio	0.18 : 1	Very low — inventory-dependent
Debt/Equity Ratio	0.13 : 1	Conservatively financed
Gross Profit %	13.36%	Moderate margin
Net Profit %	2.49%	Thin net margin
Operating Cost %	97.51%	High cost base
Return on Investment	10.29%	Adequate returns
Return on Working Capital	20.44%	Efficient working capital use
Inventory Turnover	3.66x	Moderate stock velocity
Receivables Turnover	5 days	Excellent collection speed

Source: Ratio Analysis Report, CA Ganesan Office

The extremely low quick ratio (0.18:1) is the most pressing concern, as it indicates that the business is almost entirely reliant on inventory liquidation to meet short-term obligations. This is a structural vulnerability common to retail textile businesses but requires active monitoring.

5. Sales Analysis

5.1 Sales Trend

Month-on-month sales data across both fiscal years reveals a pronounced seasonal pattern, with peak sales concentrated in September and October — coinciding with the Diwali festival season. FY 22-23 consistently outperformed FY 21-22 in most months, with October registering the highest single-month sales (approximately ₹1.6 crores in FY 22-23 compared to ₹1.2 crores the prior year). The post-festival months of November through February showed more moderate but stable performance.

This seasonality underscores the business's dependence on festive demand cycles, a characteristic of the regional textile retail market. The concentration of revenue in a narrow three-month window creates cash flow planning challenges for the remainder of the year.

5.2 Pareto Analysis — Top Product Sections

Pareto analysis confirms the classic 80/20 distribution: ten product sections out of the total portfolio generate approximately 80% of total sales revenue. The Formal Shirt Section leads with revenues of ₹1.53 crores and a margin of 28.28%, followed by the Casual Shirt Section (₹1.01 crores, 27.07%) and the Pant Section (₹0.76 crores, 34.08% — the highest margin among top sections).

The T-Shirt Section registered the highest year-on-year growth rate at 47%, followed by the Casual Shirt Section at 45%. These high-growth segments represent priority areas for inventory investment and marketing focus. Conversely, over 20% of revenue derives from 'others' — a long tail of product lines that individually contribute little but collectively carry significant holding costs.

5.3 Investment-to-Conversion Analysis

The investment-to-conversion analysis for April 2022 to May 2023 reveals an overall conversion rate of 82% by value (₹5.39 crores converted from ₹6.55 crores invested) and 85% by quantity (2,10,315 units sold out of 2,47,603 purchased). While these figures appear satisfactory at the aggregate level, the conversion timeline analysis is more revealing:

- 46% of stock was converted within 30 days — indicating strong demand for core products.
- 22% took between 31 and 90 days — acceptable for seasonal items.
- 22% remained unconverted beyond 91 days, of which 6% exceeded 180 days — representing working capital tied in slow-moving stock.

6. Stock Ageing Analysis

As on 30th September 2023, total inventory stood at 1,05,903 units valued at ₹2.69 crores. The ageing profile presents a significant risk:

Age Bracket	Qty	Value (₹)	% of Total
≤ 3 Months	35,147	85,55,683	32%
3–6 Months	14,145	50,01,991	19%
6–12 Months	13,911	49,09,322	18%
1–2 Years	12,222	34,58,549	13%
2–5 Years	12,817	27,13,915	10%
5+ Years	17,661	23,06,984	9%
Total (>6 months)	**56,611**	**1,33,88,770**	**50%**

Source: Stock Ageing Report, September 2023

A staggering 50% of inventory (by value, ₹1.34 crores) is older than six months. Notably, 9% of stock — over 17,000 units — is aged beyond five years, representing obsolete merchandise that is extremely unlikely to sell at standard prices. This dead stock not only ties up working capital but incurs ongoing holding costs (storage, insurance, and opportunity cost). Immediate clearance strategies — such as discounted bundle sales, seasonal clearance events, or bulk liquidation to secondary markets — are strongly recommended.

7. Statutory Compliance Review

The financial review for September 2023 confirmed full statutory compliance across all major obligations: GSTR-3B, GSTR-1, EPF, ESI, and TDS were all filed and remitted on or before their respective due dates, with zero penalties or late fees recorded.

A minor discrepancy of ₹4 was identified between sales as per books and the GSTR-1 filing, while ITC claimed exceeded the book figure by ₹78,968 (CGST + SGST combined). These variances, while small, should be reconciled and documented to prevent cumulative discrepancies that could attract scrutiny during GSTR-9 annual reconciliation. The TDS deduction and deposit summary for April–September 2023 showed perfect compliance across Sections 194J and 194I — professional fees, consultancy charges, and rental payments were all correctly computed and remitted.

8. SWOT Analysis

The strategic assessment of Baji Textiles yields the following profile:

STRENGTHS	WEAKNESSES
• Central location in Sivagangai with wide customer reach • 60+ years of brand trust and customer loyalty • Budget-friendly pricing attracting broad customer base • Diverse product range with online presence	• Slow movement of luxury category items • 50% of stock aged beyond 6 months • Very low quick ratio (0.18:1) • Heavy revenue concentration in top 10 sections
OPPORTUNITIES	**THREATS**
• Expand into men's accessories for one-stop shopping • Strengthen e-commerce and social media marketing • Geographic expansion within Sivagangai district • Adopt sustainable and eco-friendly product lines	• New competitors entering the Sivagangai market • Fluctuating raw material and freight costs • Changing consumer preference towards fast fashion • Economic downturns reducing discretionary spending

9. Findings and Recommendations

9.1 Key Findings

6. Sales grew by 20.74% in FY 22-23, with net profit increasing by 27.55%, indicating improving operational leverage.

7. The operating cost ratio of 97.51% leaves limited buffer for unexpected expense increases and requires active cost management.
8. 50% of inventory is aged beyond six months, and 9% is older than five years — representing a significant working capital drain.
9. Ten product sections drive 80% of revenue (Pareto principle confirmed), while the long tail of other sections contributes disproportionate complexity.
10. Statutory compliance is exemplary, with all returns filed and remitted on time — a notable strength for an SME in this category.

9.2 Recommendations

11. Implement a purchase decision framework based on current stock ageing and historical turnover rates to prevent further accumulation of slow-moving inventory.
12. Conduct periodic clearance sales (minimum bi-annually) to liquidate aged stock, recover capital, and refresh the product mix.
13. Invest marketing resources in high-growth sections (T-Shirts: +47%, Casual Shirts: +45%) while rationalising underperforming long-tail categories.
14. Introduce employee performance incentives linked to section-wise sales targets, particularly for high-margin categories such as Pants (34.08% margin).
15. Reconcile ITC discrepancies monthly to avoid compounding differences at GSTR-9 annual filing stage and minimise penalty risk.

10. Conclusion

This study provides a detailed examination of Baji Textiles' business performance through the lens of financial ratios, sales trends, inventory analysis, and statutory compliance. The firm demonstrates healthy revenue growth and improving profitability, underpinned by a loyal customer base, strategic location, and strong compliance discipline.

However, the analysis reveals structural vulnerabilities — chiefly the accumulation of aged inventory, a dangerously low quick ratio, and heavy revenue concentration in a narrow product range — that must be addressed to sustain and scale the business. The recommendations offered in this paper are practical, data-driven, and immediately actionable within the operational constraints of a sole proprietorship.

As competitive pressures mount from new entrants in the Sivagangai market, Baji Textiles' ability to modernise its inventory management, diversify its product lines, and leverage digital marketing will be decisive in determining its long-term market position.

Declaration of Conflicting Interests

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