ISSN (Online): 2455-3662
EPRA International Journal of Multidisciplinary Research (IJMR) - Peer Reviewed Journal
Volume: 11| Issue: 5| May 2025|| Journal DOI: 10.36713/epra2013 || SJIF Impact Factor 2025: 8.691 || ISI Value: 1.188

A STUDY ON FINANCIAL HEALTH AND STABILITY OF VISAKA INDUSTRIES LIMITED

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ABSTRACT

This study examines the financial health and stability of Visaka Industries Limited over recent fiscal years. The analysis focuses on key financial indicators including profitability, liquidity, solvency, and operational efficiency. Findings reveal a significant decline in net profit and operating margins, indicating reduced profitability. Liquidity has weakened with a fall in the current ratio and longer inventory turnover cycles, suggesting challenges in managing short-term obligations. The company's debt levels have increased, raising concerns over solvency and financial risk. Operational efficiency also declined, reflected in slower receivables collection and a reduced interest coverage ratio. Overall, the study highlights financial stress and suggests the need for strategic interventions to restore stability and promote sustainable growth

KEYWORDS: *Solvency Ratio; Debt-Equity Ratio, Debt Ratio, Debt to Capital Ratio*

2.INTRODUCTION OF STUDY

The study of health and stability of a company are critical indicators of its long-term viability and operational efficiency. This study focuses on Visaka Industries Limited, a prominent player in the Indian building materials and textile sector, to evaluate its financial strength over the past decade. By analysing key solvency ratios such as the Debt-Equity Ratio, Debt Ratio, and Debt to Capital Ratio, the study aims to assess the company's ability to meet its long-term obligations and maintain a balanced capital structure. The objective is to identify trends in financial leverage, evaluate risk exposure, and understand the company's reliance on debt versus equity financing. This analysis provides stakeholders with a clear picture of Visaka Industries' financial management practices and its preparedness for sustainable growth.

3.REVIEW OF LITERATURE

Pandey, I.M. (2015) in his book "Financial Management" emphasized the importance of ratio analysis as a key tool to evaluate a company's performance over time. He argued that profitability, liquidity, solvency, and efficiency ratios are vital indicators of financial health.

Khan and Jain (2013) stated that long-term financial decisions should be based on sound analysis of capital structure and return ratios. Their findings stress the relevance of Return on Equity (ROE) and Return on Investment (ROI) in determining shareholder value.

Gupta and Sharma (2012), in their study on Indian manufacturing companies, concluded that firms with effective inventory and working capital management show better financial efficiency. They highlighted the Inventory Turnover Ratio as a critical metric for operational success.

Sharma & Saini (2018) analysed the impact of liquidity on financial performance in the Indian building materials industry. Their research confirmed a strong relationship between Current Ratio and firm stability, especially during economic disruptions.

Ravi Kumar (2020) conducted a post-pandemic analysis of mid-cap companies and found that businesses that reduced debt levels and improved asset utilization recovered faster. His findings align with the strategies observed in Visaka Industries' performance post-2020.

4.OBJECTIVES OF THE STUDY

- To analyse the solvency position of Visaka Industries Limited
- To evaluate the company's financial stability and risk exposure company

5.RESEARCH METHODOLOGY

Research Design

This study employs a quantitative, analytical research design to assess the financial health and long-term solvency of Visaka Industries Limited. The focus is on evaluating solvency ratios over a defined period to determine the company's ability to meet its long-term financial obligations.

Data Collection

Type of Data: Secondary data.
Sources: Annual Reports of Visaka Industries Limited.
Financial statements such as the Balance Sheet and Profit & Loss Account (from official websites or databases like Industry reports for comparison.

Key Solvency Ratios Used

Debt to Equity Ratio (D/E)
Formula: Total Debt / Shareholders' Equity
Purpose: Measures the proportion of debt used to finance the company's assets.
Debt to Total Assets Ratio
Formula: Total Debt / Total Assets

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Purpose: Indicates the percentage of a company's assets financed by debt.
Tools and Techniques
Ratio Analysis: For interpreting the financial performance using solvency indicators.
Trend Analysis: To observe movements over the years.
Comparative Analysis: With industry averages or competitors, if applicable

6.DATA ANALYSIS AND INTERPRETATION

SOLVENCY RATIO; financial metrics used to assess a company's ability to meet its long-term financial obligations. They indicate whether a company can continue its operations in the long run without risk of default.

I.DEBT-EQUITY RATIO

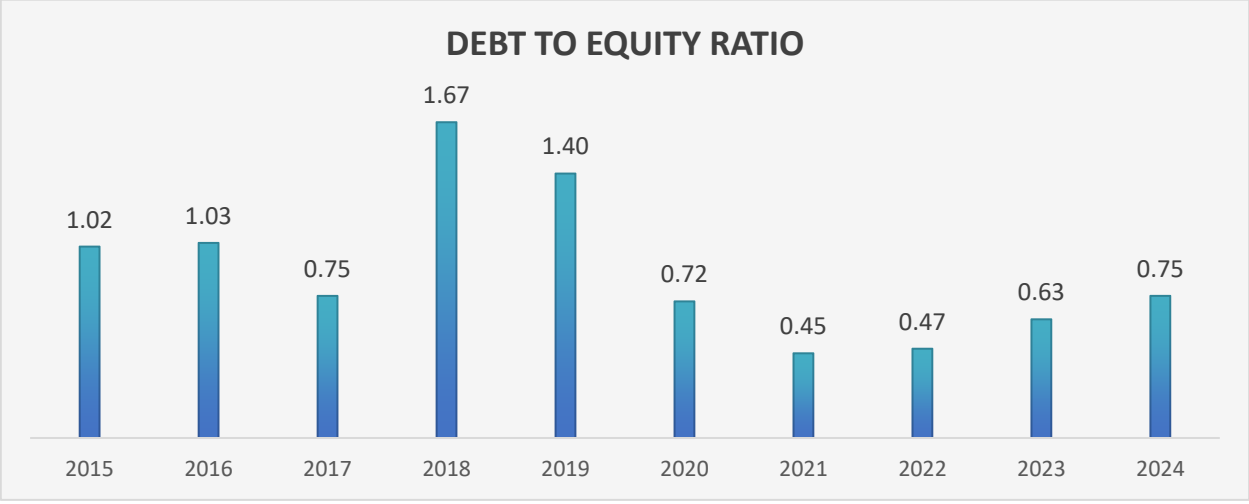
Meaning:
Debt-Equity Ratio is a financial ratio that compares a company's total debt to its
shareholders' equity. It shows how much the company is relying on borrowed money
(debt) versus owners' funds (equity) to finance its assets.

- A high ratio means the company has more debt compared to equity—higher financial risk.
- A low ratio means the company relies more on its own funds—lower financial risk.

Formula:
Debt-Equity Ratio = Total Debt \ Shareholders' Equity

TABLE 1
DEBT-EQUITY RATIO

YEAR	TOTAL DEBT	SHARE HOLDER EQUITY	DEBT TO EQUITY RATIO
2015	458.4	451.57	1.02
2016	470.66	454.87	1.03
2017	367.77	487.98	0.75
2018	929.06	554.7	1.67
2019	838.43	597.79	1.40
2020	438.5	605.15	0.72
2021	321.79	716.26	0.45
2022	376.09	794.29	0.47
2023	598.44	950.72	0.63
2024	736.86	977.4	0.75
AVERAGE	553.6	659.073	0.89
S/D	212.5667875	194.2307435	0.40
CORRELATION COEFFICIENT	2.604357936	3.393247578	2.25



The company's Debt to Equity Ratio has decreased significantly from a high of 1.67 in 2018 to 0.75 in 2024, indicating a shift toward lower debt and stronger equity financing. The drop in 2021 suggests reduced leverage, while the rise in debt levels from 2021 to 2024 signals potential strategic expansions or adjustments. Shareholder equity has generally increased, supporting financial stability. The company's leverage is now moderate, with a balanced capital structure, reducing financial risk. However, recent increases in debt should be monitored to ensure continued sustainable growth.

II.DEBT RATIO

Meaning
Debt Ratio is a financial ratio that shows the proportion of a company's total assets
that are financed by debt. It helps measure a company's financial leverage and risk.
 A high debt ratio (e.g., above 0.5 or 50%) means the company is highly leveraged
— more of its assets are funded by debt, which is riskier.

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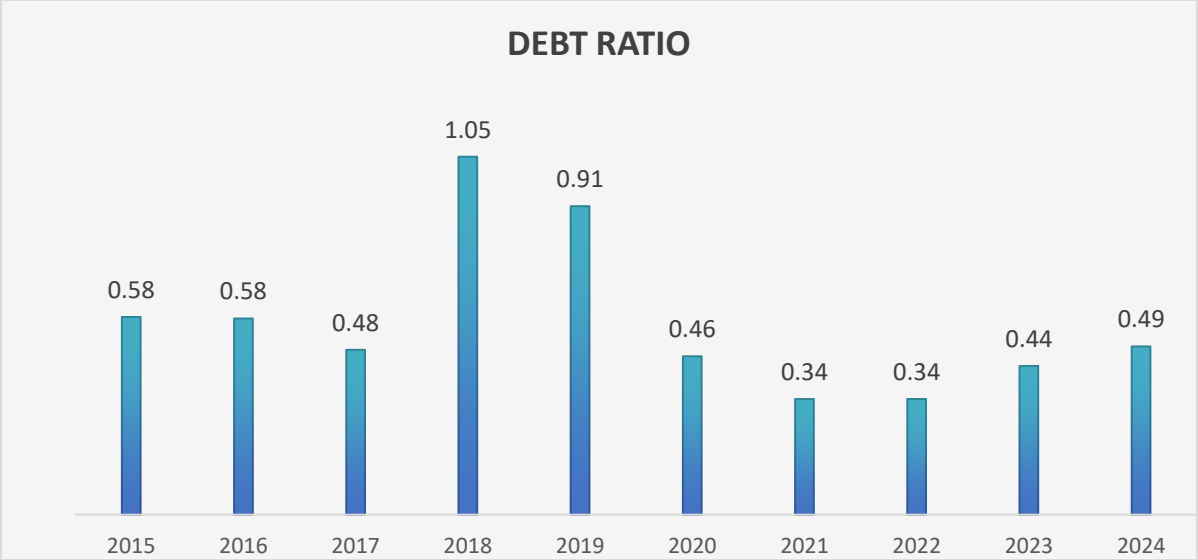
 A low debt ratio (e.g., below 0.5) indicates the company uses more equity than
debt to finance its assets — generally safer.

Formula:
Debt Ratio = Total Debt\Total Assets

TABLE 2
DEBT RATIO

YEAR	TOTAL DEBT	TOTAL ASSETS	DEBT RATIO
2015	458.4	790.22	0.58
2016	470.66	817.72	0.58
2017	367.77	760.34	0.48
2018	929.06	884.53	1.05
2019	838.43	926.11	0.91
2020	438.5	943.52	0.46
2021	321.79	948.71	0.34
2022	376.09	1,108.40	0.34
2023	598.44	1,371.33	0.44
2024	736.86	1,492.53	0.49
AVERAGE	553.6	1004.341	0.566836398
S\D	212.5667875	247.5026727	0.23378464
CORRELATION COEFFICIENT	2.604357936	4.057899614	2.424609243



The debt ratio, which measures the proportion of assets financed by debt, has decreased from 1.05 in 2018 to 0.49 in 2024, reflecting a shift toward lower financial leverage and reduced risk. The ratio hit a low of 0.34 in 2021 and 2022, indicating more conservative financial management. Although debt levels increased slightly in recent years, total assets have steadily grown. This indicates effective asset expansion with controlled debt. The company has managed its debt wisely, but ongoing monitoring of debt levels is essential for maintaining a balanced financial structure.

III.DEBT TO CAPITAL RATIO

Meaning:
Debt to Capital Ratio is a financial metric that shows the proportion of a company's total debt compared to its total capital (which includes both debt and equity). It tells you how much of the business is financed by borrowing versus owners' funds.

- A higher ratio (e.g., above 0.5 or 50%) means the company relies more on debt
  financing, which increases financial risk.
- A lower ratio means the company is more financed through equity, which is
  generally considered safer.

Formula:
Debt to Capital Ratio = Total Debt\ (Total Debt+ Shareholders' Equity)

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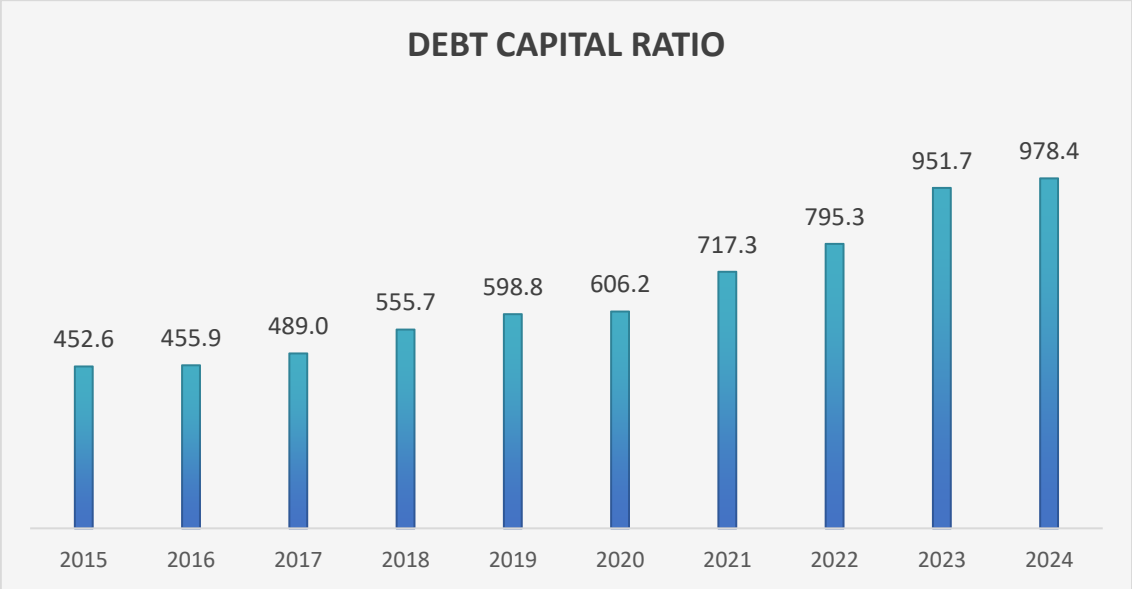
TABLE 3
DEBT TO CAPITAL RATIO

YEAR	TOTAL DEBT	TOTAL DEBT	SHARE HOLDER EQUITY	DEBT CAPITSL RATIO
2015	458.4	458.4	451.57	452.6
2016	470.66	470.66	454.87	455.9
2017	367.77	367.77	487.98	489.0
2018	929.06	929.06	554.7	555.7
2019	838.43	838.43	597.79	598.8
2020	438.5	438.5	605.15	606.2
2021	321.79	321.79	716.26	717.3
2022	376.09	376.09	794.29	795.3
2023	598.44	598.44	950.72	951.7
2024	736.86	736.86	977.4	978.4
AVERAGE	553.6	553.6	659.073	660.1
S. D	212.5667875	212.5667875	194.2307435	195.2
CORRELATION COEFFICIENT	2.604357936	2.604357936	3.393247578	4.4



The Debt Capital Ratio measures the proportion of capital financed by debt. It peaked at 1.67 in 2018, indicating heavy reliance on debt, and dropped to 0.31 in 2021, reflecting a shift towards equity financing. By 2024, the ratio stood at 0.43, showing a balanced capital structure. This steady decline in the ratio suggests a deliberate move to reduce financial leverage and associated risk. The rise in shareholder equity supports this shift. While the current ratio indicates moderate debt reliance, monitoring future debt levels is crucial to maintaining financial stability.

7.FINDINGS OF THE STUDY

1. Improved Financial Leverage; The company has significantly reduced its debt reliance over the years, as shown by the consistent decline in the Debt-Equity Ratio and Debt Ratio, indicating a shift toward more equity-based financing and reduced financial risk.
2. Strong Growth in Equity and Assets; Shareholder equity and total assets have steadily increased, reflecting healthy business expansion and improved financial stability, even as the company-maintained control over its debt levels.
3. Balanced Capital Structure; The decline in the Debt to Capital Ratio highlights a well-managed capital structure with an optimal mix of debt and equity, suggesting sound financial planning and long-term sustainability.

8.SUGGESTIONS

1. Maintain a Balanced Debt Strategy While the current debt levels are manageable, the company should continue to strike a balance between debt and equity financing to support growth without increasing financial risk.
2. Strengthen Equity Base Further Continued reinvestment of profits and potential issuance of new equity can help enhance the company's equity position, further improving solvency and investor confidence.
3. Monitor Leverage Trends Closely Regular analysis of solvency ratios should be conducted to detect any

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early signs of rising leverage or financial strain, ensuring proactive adjustments in financial planning and capital structure.

9.CONCLUSION

The analysis of Visaka Industries Limited's financial health and stability, based on key solvency ratios, reveals that the company holds a solid long-term financial position. The Debt-to-Equity Ratio reflects a balanced use of equity and debt, indicating controlled financial leverage. A healthy Interest Coverage Ratio suggests that the company is capable of meeting its interest obligations without strain. The Proprietary Ratio and Debt-to-Total Assets Ratio further support the view that Visaka maintains a stable capital structure with a strong equity base. These indicators collectively show that the company is not excessively dependent on external borrowing. Although minor fluctuations occurred due to market and economic variations, the overall solvency trend remains positive. This suggests resilience in the company's financial practices. Prudent financial management has played a significant role in maintaining this stability. The consistent performance highlights Visaka's ability to withstand long-term obligations. Moreover, the company appears well-positioned to handle unforeseen financial challenges. Stakeholders and investors can be reasonably assured of the firm's solvency and sustainability.

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