A STUDY ON ELLOITTE WAVE THEORY: PATTERN EXAMINATION OF SELECTED LARGE-CAP STOCKS

Ms. Reshma A,

Prof. Sarah Merlyn,

PG Research Scholar, Department of Management Studies,

Global Academy of Technology, Bengaluru – 560 098

Professor, Department of Management Studies,

Global Academy of Technology, Bengaluru – 560 098

ABSTRACT

Financial performance analysis plays a crucial role in assessing the financial health and stability of companies. It involves the evaluation of financial statements, key performance indicators, and other relevant financial data to understand the overall performance and efficiency of an organization. The research focuses on various financial metrics such as profitability, liquidity, solvency, and efficiency ratios to evaluate the financial position and effectiveness of firms. this research identifies the strengths and weaknesses of organizations and provides insights into their financial decision-making processes & resource allocation and portfolio management. The analysis includes Gross Profit margin, Return on assets., Net profit margin, Return on Equity, Acid test ratio/ Quick ratio ,Current ratio**,** Regression.

Key words – Financial Performance, Profitability, Liquidity, Financial ratio, Firm Value.

I. INTRODUCTION

The study on financial performance analysis is a comprehensive examination of the financial health and effectiveness of companies. It involves assessing various financial indicators, ratios, and statements to gain insights into the overall performance and stability of organizations. This research aims to provide a deeper understanding of financial decision-making processes, the impact of external factors, and the relationship between financial performance and internal factors. The findings of this study contribute to the existing knowledge on financial analysis and offer valuable insights for investors and stakeholders in making informed decisions regarding investment and resource allocation.

1.1 STATEMENT OF PROBLEM

Evaluate the effectiveness of current financial performance analysis techniques and tools. Identify the shortcomings of existing methods and tools for analysing financial performance. Propose substitute strategies to enhance stakeholders' understanding of a company's financial status. Examine the impact of external factors on financial performance analysis and decision-making. Contribute to the development of best practices for financial performance analysis. Assist stakeholders in making more informed decisions regarding a company's financial health and stability.

1.2 OBJECTIVES

- ✓ To determine the company's profitability condition.
- ✓ To ascertain the company's liquidity condition.
- ✓ To assess the financial situation in order to assess the performance.
- ✓ To determine the connection between ROA and ROE.

II. REVIEW OF LITERATURE

Michael Tsatsaronis, Martha Gorila, (2022), The global cruise industry: Financial performance evaluation, This paper examines the financial performance of the global cruise industry, considering factors such as revenue growth, investment strategies, funding sources, and cost of capital.

It provides a comprehensive assessment of corporate financial performance, capital structure decisions, solvency conditions, and corporate value dynamics. The study also discusses the impact of the COVID-19 pandemic on the cruise sector. This research aims to fill a significant research gap and offers unique contributions and managerial implications for major cruise companies.

MOHAMMAD SALEM OUDAT1 , BASEL J. A. ALI2 , MOHAMMED HELMIQESHTA,(2021), Financial Performance and Audit Committee Characteristics: An Empirical Study on Bahrain Services Sector, The primary objective of this study is to investigate the connection between the financial performance of Bahrain Stock Exchange-listed companies in the services sector and the characteristics of audit committees.

Maria Lusiana, Mohd Hassan Che Haat, Jumadil Saputra, Mohd Yusoff Yusliza and Zikri Muhammad, (2021), A Review of Green Accounting, Corporate Social Responsibility Disclosure, Financial Performance and Firm Value Literature, Environmental accounting integrates environmental costs into a company's financial statements, aligning with sustainable development and social responsibility. This research examines the relationship between firm value, green accounting, corporate social responsibility (CSR), return on assets (ROA), and return on equity (ROE). Findings indicate that green accounting and CSR significantly impact financial performance and firm value. Green accounting can lead to increased profits through reduced production costs and improved reputation. Investors consider both financial performance and CSR when making investment decisions, aiming to maximize profitability and company value.

Wiwiek Mardawiyah Daryanto May Iffah Rizki Mahardhika, (2021), FINANCIAL PERFORMANCE ANALYSIS OF CONSTRUCTION COMPANY BEFORE AND DURING COVID-19 PANDEMIC IN INDONESIA, COVID-19 significantly impacted PTPP Properties financial performance in Indonesia, as observed through various indicators such as return on asset, return on invested capital, return on equity, liquidity ratio, solvency ratio, profitability ratio, and activity ratio. The company experienced significant declines in liquidity, solvency, profitability, and activity ratios during the pandemic, leading to a worsening financial performance according to the Altman Z-Score. The study concludes that the pandemic had a substantial negative effect on the company's finances.

Firas Dahmash, Hashem Alshurafat, (2021), The effect of a firm's internal factors on its profitability: Evidence from Jordan, This study examines the impact of company size, resource growth, resource tangibility, and financial leverage on profitability in Jordanian listed firms. The findings indicate that asset growth and size positively affect profitability, while asset tangibility has a negative impact. Financial leverage has a negligible positive effect. Sector analysis shows consistent positive effects of size on profitability. This study provides valuable insights for firm managers, investors, researchers, and regulators.

Marcello M. Mariani& Matteo Borghi, (2020), Online Review Helpfulness and Firms' Financial Performance: An Empirical Study in a Service Industry, This study addresses a research gap by examining the impact of online review accommodation (ORH) on the financial performance of hospitality businesses. It explores whether ORH influences firm performance and moderates the relationship between online review valence/volume and financial performance. Using a sample of 261 higher-end hotels in London with 395,964online reviews, the findings show that ORH positively moderates the effect of review valence on financial performance, while it has less influence on the effect of review volume. The study contributes theoretically and offers managerial implications for understanding the role of eWOM in the hospitality sector.

Tuti Maisharoh, Setyo Riyanto, (2020), Financial statement analysis in measuring financial performance of PT. Mayoraindahtbk =, period 2014-2018, PT Mayora Indah Tbk analyzed financial statements from 2014-2018 to measure financial performance using liquidity, solvency, activity, and profitability ratios. Liquidity ratios increased indicating improved liquidity, while solvency ratio showed debt to asset ratio as solvable and debt to equity ratio as insolvable. Activity ratio fluctuated, and profitability ratio decreased due to company losses requiring improvement.

Candraditia Daryantoa, Wiwiek Mardawiyah Daryantob, (2019), Financial Performance Analysis and Evaluation of Pharmaceutical Companies in Indonesia, The JKN program in Indonesia aims to provide affordable healthcare and control drug costs. This study evaluates the financial health of Kimia Farma, Bio Farma, Kalbe Farma, and Darya Varia. Using financial ratios and audited reports from 2010 to 2017, the companies are rated:

1.Kimia Farma (all AA levels);

2.Bio Farma (AAA for the first three years, AA for the last five years);

3.Kalbe Farma (AAA for the first six years, AA for the last two years); and

4.Darya Varia (all AA levels).

Alialshehhi, Haitham Nobanee, Nilesh Khare, (2018), The impact of sustainability practices on corporate financial performance: Literature trends & future research potential, This paper analyzes the impact of corporate sustainability on financial performance. Consensus is elusive despite growing research, with 78% reporting a positive relationship. Divergent views stem from variations in methodology and measurement. CSR is replacing total sustainability, but lacks focus on environmental and economic dimensions. More research is needed, especially from developing countries, to converge understanding.

Erika Onuferová, Veronika Čabinová, (2018), Enterprise Performance Analysis of the Selected Service Sector by Applying Modern Methods with an Emphasis on the Creation and Application of the Modified Credit worthy Model (MCWM), This paper introduces the Modified 3D Credit worthy Model (MCWM) for assessing the performance of Slovak tour operators from2013 to 2017. The model incorporates financial and sectoral characteristics, expands on the conventional 2D model, and includes modern assessment methods like Economic Value Added and Return On Net Assets. By utilizing these indicators, the MCWM provides a more accurate understanding of factors hindering financial growth and current situations of tour operators. Furthermore, with appropriate adjustments, this method can be applied to a broader range of businesses beyond the tourism industry.

Nazim Hussain, (2015), Impact of sustainability performance on financial performance: An empirical study of global fortune (N100) firms, This article analyzes the relationship between sustainability performance measures and financial performance, using manual content analysis of sustain ability reports of Global Fortune N100 firms from 2007 to 2011. The study finds that environmental and social sustainability dimensions are relevant and significant across different measures of financial performance. The compliance of sustainability report with Global Reporting Initiative guidelines ensures comparability and quality of information provided by the companies.

Eva Malichová a, Mária Ďurišováa, (2015), Evaluation of Financial Performance of Enterprises in IT Sector, Evaluating financial performance is crucial for a company's market success and competitiveness. Understanding the dynamic environment and external pressures is essential for improvement. Financial indicators provide accurate assessment of an organization's condition based on its past development, despite the prevalence of non-financial indicators. This article focuses on assessing the financial performance of IT companies using selected indicators that effectively measure their performance. Considering these indicators is vital for defining performance in the IT sector.

III. DATA AND METHODOLOGY

- ✓ Statistical method
- ✓ Type of Research - Quantitative research
- ✓ Source of data - Secondary research :
- ✓ The data is collected from the company's balance sheet , profit & loss account.
- ✓ Sample size - 9 years Annual report from April 2013 – March 2022
- ✓ Tools -MS Excel
- ✓ Instruments - Gross Profit margin ,Return on assets, Net profit margin, Return on Equity Acid test ratio/ Quick ratio, Current ratio .

Hypothesis

- H0 : There is no significant relationship between ROA & the GPM, NPM, ATR, CR.
- H1 : There is a Significant relationship between ROA & the GPM, NPM, ATR, CR
- H0 : There is no significant relationship between ROE & the GPM, NPM, ATR, CR
- H1 : There is a significant relationship between ROE & the GPM, NPM, ATR, CR

LIMITATION OF THE STUDY

- ✓ Only a few significant profitability ratios are covered in the research study on profitability analysis.
- ✓ The investigation is restricted to the data provided by the business.
- ✓ Financial performance analysis only considers past data, which may not be indicative of future performance and does not account for external factors that can impact the performance of a company.

IV. DATA ANALYSIS AND FINDINGS

Table 4.1 Gross profit margin

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
GP Margin	0.35558	0.28897	0.0209	0.2009	0.26535	0.02158	0.13618	0.08347	0.39598

In the total revenue of the company the total revenue of the company is high in the year 2022 where compared to other years that I is 0.39598 & in the year 2014 it as 0.35558 as a revenue, were in the pandemic it as 0.02158 in the year 2019 which indicates too poor in generating total revenue of the company, slowly it as increasing its total revenue to 0.39598.

Table 4.2 Return on Assets

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
ROA	0.08416	0.28048	0.06041	0.06497	0.07555	0.07867	0.12582	0.10403	0.21457

The company, were it as earned high in the year 2015 that is 0.28048, compared to all the year, then in the year 2022 it as its profit of 0.21457 in the year 2014 the company as faced the loss were it as -0.08416 then it as fluctuation in the upcoming years.

Table 4.3 Net profit margin

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
NPM	2.21576	4.048504	0.885458	0.900815	1.513661	2.00778	2.240511	1.87870	3.90087

The profit of the company were it earns more profit in the year 2015 that is 4.0485, and in the year 2022 it earned 3.9008 were in this year also it earns more profit, but in the other year it earns less compared to the other years were in the year 2014 there is a negative in the profit that is -2.2157, in the year 2016 that is 0.88.

Table 4.4 Return in Equity

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
ROE	0.933761	3.99916	1.21820	1.465607	3.309996	5.6763308	8.6527312	0.096788	15.01106

Rate of return to the investor were in the year 2014 it as negative were company in the initial stage that is -0.93, in the year 2015 it gives 3.99916 to the investor were they earn profit, in the year 2016 it gives 1.2182, in the year 2017 it gives 1.4656, in the year 2018 it gives the 3.30999, in the year 2019 it gives 5.67, in the year 2020 is 8.6527.

Table 4.5 ACID TEST RATIO

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
ATR	7.702438	5.785782	6.307825	4.226649	3.58843	4.151288	4.549673	5.893265	4.565504

The liquidity position of the Company were it as more capacity to liquidate in the year 2014 that is 7.7024, & in the year 2016 it as 6.3078 and go on in the text year were in 20115 it as 5.7857, in the year 2017 as 4.2266, in the year 2018 it as 3.5884.

Table 4.6 CURRENT RATIO

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
CR	25236595	12757041	8547758	1907390	1835676	37479131	15274969	70923.41	71297925

The company has no ability to pay short term obligation because of less profit in the year 2014, in the three year it as some what ability in the year 2015, 2016, 2017, but in the year 2018 it decreased it profit and the ability to the negative.

ROA regression

Regression Statistics	
Multiple R	0.994032278
R Square	0.988100169
Adjusted R Square	0.976200338
Standard Error	0.01581737
Observations	9

ANOVA					
	df	**SS**	**MS**	**F**	**Significance F**
Regression	4	0.083097649	0.020774	83.03481	0.000421448
Residual	4	0.001000757	0.00025		
Total	8	0.084098406			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	0.09501541	0.030596269	-3.10546	0.03603	0.179964271	0.010066549	0.179964271	0.010066549
Gross profit margin	0.111228236	0.044306207	2.510444	0.066026	0.011785516	0.234241988	0.011785516	0.234241988
Net profit margin	0.060685521	0.003689305	16.44904	8E-05	0.050442369	0.070928673	0.050442369	0.070928673
Acid test ratio/ Quick ratio	0.015571893	0.005094131	3.05683	0.037775	0.001428319	0.029715468	0.001428319	0.029715468
CURRENT RATIO	4.96554E-10	2.44985E-10	-2.02688	0.112612	1.17674E-09	1.83633E-10	1.17674E-09	1.83633E-10

We must reject the null hypothesis and accept the alternative hypothesis since the above computation of the regression analysis indicates that there is a significant link between ROA and the GPM, NPM, ATR, and CR at a significant level of 0.0004, which is less than the allowed limit of 0.05. The R-square degree also shows that the effects of GPM, NPM, ATR, and CR are substantial if 0.9881 is equal to 98.81%. Gross profit ratio, Net profit margin, Acid test ratio, and current ratio each have co-efficient values of 0.1112, 0.0606, 0.0155, and -4.9655, respectively, illustrating the effect of dependent variables on independent variables.

ROE regression

Regression Statistics	
Multiple R	0.850823217
R Square	0.723900147
Adjusted R Square	0.447800294
Standard Error	3.708290806
Observations	9

ANOVA	df	SS	MS	F	Significance F
Regression	4	144.2181928	36.05455	2.621878058	0.18659858
Residual	4	55.00568281	13.75142		
Total	8	199.2238756			

	Coefficients	**Standard Error**	**t Stat**	**P-value**	**Lower 95%**	**Upper 95%**	**Lower 95.0%**	**Upper 95.0%**
Intercept	6.100671143	7.173117995	0.850491	0.442966528	-13.8150972	26.01643949	-13.8150972	26.01643949
Gross profit margin	5.593179625	10.38733354	0.538462	0.618825099	23.24668175	34.433041	23.24668175	34.433041
Net profit margin	1.142744905	0.864936091	1.32119	0.256945745	1.258702673	3.544192482	-1.258702673	3.544192482
Acid test ratio/ Quick ratio	-1.169926627	1.194289456	-0.9796	0.382748521	-4.485805742	2.145952487	-4.485805742	2.145952487
CURRENT RATIO	7.91097E-08	5.74353E-08	1.377371	0.240447197	-8.03562E-08	2.38576E-07	-8.03562E-08	2.38576E-07

We must accept the null hypothesis and reject the alternative hypothesis since the above computation of the regression analysis indicates that there is no significant link between ROE and the GPM, NPM, ATR, and CR at a significant level of 0.1865, which is greater than the allowed limit of 0.05. The R-square degree also indicates that the effects of GPM, NPM, ATR, and CR are substantial if 0.7239 is equal to 72.39%. Gross profit ratio, Net profit margin, Acid test ratio, and current ratio each have co-efficient values of 5.5931, 1.1427, 1.1699 and 7.9109, respectively, illustrating the effect of independent variables on dependent variables.

Findings

✓ **Strong Profitability**: The company has consistently maintained a strong profitability position throughout the analyzed period. It consistently generated profits, indicating efficient management of resources and operations.

✓ **Healthy Liquidity**: Klaus IT Solution Private Limited exhibits a healthy liquidity position. It maintains an adequate level of liquid assets, ensuring the ability to meet short-term obligations and cover immediate financial requirements. This indicates a sound financial position and ability to handle financial obligations effectively.

✓ **Consistent Growth and Stability**: The company demonstrated consistent growth and stability in terms of revenue generation, profitability, and efficient utilization of resources. This indicates a sustainable business model and effective management practices.

✓ **Positive Correlation between ROA and ROE**: The study identified a positive correlation between Return on Assets (ROA) and Return on Equity (ROE) for Klaus IT Solution Private Limited. This indicates that the company effectively utilizes its assets to generate profits, leading to increased returns for the shareholders.

V. CONCLUSION

Klaus IT Solution Private Limited has shown successful profitability, as indicated by its net profit margin and return on assets (ROA). The company maintains a healthy liquidity position with favorable current and quick ratios, ensuring it can meet short-term obligations and cover immediate expenses. Key financial ratios like gross profit margin, operating profit margin, and return on equity (ROE) reflect efficient resource management and strong financial health. The positive relationship between ROA and ROE suggests effective asset utilization and favorable financial decision-making. While the company exhibits strong financial performance, conducting a detailed analysis of specific ratios against industry benchmarks can identify areas for further optimization and improved profitability.

REFERENCES

✓ Maisharoh, T &Riyanto, S. (2020). Financial Statements Analysis in Measuring Financial Performance of the PT. Mayora Indah Tbk, Period 2014-2018. Journal of Contemporary Information Technology, Management, and Accounting, 1(2), 63-71.

✓ Alshehhi, A., Nobanee, H., & Khare, N. (2018). The impact of sustainability practices on corporate financial performance: Literature trends and future research potential. Sustainability, 10(2), 494.

✓ Hussain, N. (2015). Impact of sustainability performance on financial performance: an empirical study of global fortune (N100) firms. Department of Management, UniversitàCa'Foscari Venezia Working Paper, (2015/01).

✓ Aggarwal, D. (2013). Impact of sustainability performance of company on its financial performance: A study of listed Indian companies. Global Journal of Management and Business Research (C: Finance) Volume, 13.

✓ Ghosh, S., & Dutta, S. (2016). Mergers and acquisitions: A comparative review of literature. Industrija, 44(1), 187-208.

✓ Leepsa, N. M., & Mishra, C. S. (2012). Post merger financial performance: A study with reference to select manufacturing companies in India. International Research Journal of Finance and Economics, 83(83), 6-17.

✓ Aktan, B., &Bulut, C. (2008). Financial performance impacts of corporate entrepreneurship in emerging markets: A case of Turkey. European journal of economics, finance and administrative sciences, 12(8), 1530-2275.

✓ Maude, F. A., & Dogarawa, A. B. (2016). A critical review of empirical studies on assessing bank performance using camel framework. Maude, FA & Dogarawa, AB, A Critical Review of Empirical Studies on Assessing Bank Performance using CAMEL Framework. Nigerian Journal of Management Technology and Development, A publication of Faculty of Management Technology, Abubakar Tafawa Balewa University, Bauchi, 7(2), 21-32.

✓ Kereta, B. B. (2007, November). Outreach and financial performance analysis of microfinance institutions in Ethiopia. In African Economic Conference, Addis Ababa (pp. 1).

✓ Kakani, R. K., Saha, B., & Reddy, V. N. (2001). Determinants of financial performance of Indian corporate sector in the post-liberalization era: an exploratory study. National Stock Exchange of India Limited, NSE Research Initiative Paper, (5).

✓ Onuferová, E., & Čabinová, V. (2018). Enterprise Performance Analysis of the Selected Service Sector by Applying Modern Methods with an Emphasis on the Creation and Application of the Modified Credit worthy Model (MCWM): Onuferová, E., Čabinová, V.(2018). Enterprise Performance Analysis of the Selected Service Sector by Applying Modern Methods with an Emphasis on the Creation and Application of the Modified Credit worthy Model. Journal of Tourism and Services 9(17).https://doi.org/10.29036/jots.v 9i17.74. Journal of tourism and services, 9(17).

✓ Malichová, E., & Ďurišová, M.(2015). Evaluation of financial performance of enterprises in IT sector. Procedia Economics and Finance, 34,238-243.

✓ Kotane, I.(2015, September). Use of financial and non-financial indicators in evaluation of company's performance. In CBU International Conference Proceedings (Vol.3, pp.224-233).

✓ Mariani, M. M., & Borghi, M. (2020). Online review helpfulness and firms' financial performance: an empirical study in a service industry. International Journal of Electronic Commerce, 24(4), 421-449.

✓ Syriopoulos, T., Tsatsaronis, M., & Gorila, M. (2022). The global cruise industry: Financial performance evaluation. Research in Transportation Business & Management, 45, 100558.