

Evaluating the Financial Performance Analysis of Crompton Greaves Consumer Electricals Ltd: An Analytical Study

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Abstract: This research paper presents an independent financial evaluation of Crompton Greaves Consumer Electricals Limited covering the five-year period from 2021 to 2025. The study examines the company's operational strength, profitability trends, liquidity position, capital structure, and efficiency levels using structured ratio and trend analysis. Emphasis is placed on understanding how cost pressures, revenue growth, and financial policy decisions influenced performance over time. The findings reveal that although profitability margins experienced temporary contraction during the middle of the study period, the company demonstrated strong recovery supported by efficient cost management and improved operational discipline. Liquidity remained stable, leverage was conservative, and asset utilization improved consistently. Overall, the company exhibits sound financial fundamentals and sustainable long-term growth capacity.

Keywords: Financial Statement Analysis, Profitability Evaluation, Liquidity Assessment, Capital Structure, Efficiency Ratios, Shareholder Returns, Trend Analysis, Corporate Financial Health.

1. INTRODUCTION

Financial performance analysis is an essential tool for assessing a company's operational efficiency, profitability, liquidity, and overall financial stability. In today's competitive business environment, organizations must continuously evaluate their financial health to ensure sustainable growth and effective utilization of resources. By analyzing financial statements such as the Balance Sheet and Profit & Loss Account through techniques like ratio and trend analysis, stakeholders—including investors, management, and creditors—can make informed decisions based on measurable financial indicators.

This study focuses on Crompton Greaves Consumer Electricals Ltd, a leading player in India's consumer electrical industry. The company operates across product segments such as electric fans, lighting solutions, pumps, and small domestic appliances, and has established a strong brand presence supported by an extensive distribution network and growing digital reach. Operating in a highly competitive and price-sensitive industry influenced by raw material cost fluctuations and technological advancements, the company must maintain efficiency and cost control to sustain profitability.

The period 2021–2025, covering the post-pandemic recovery phase, provides a meaningful context for evaluating the company's resilience and financial adaptability. Using secondary data from audited annual reports, this study applies ratio and trend analysis to examine profitability, liquidity, solvency, and efficiency. The analysis aims to highlight financial strengths, identify potential risks, and offer insights that support strategic decision-making and long-term sustainability.

2. PROBLEM STATEMENT

Despite maintaining a strong brand position, the company operates in a sector exposed to Cost fluctuations and margin pressures. Variations in raw material prices and operating expenses can significantly influence profitability. Therefore, it is necessary to evaluate whether the organization has maintained financial strength, balanced liquidity, and stable solvency during periods of cost volatility. This study seeks to determine whether financial performance remained resilient throughout the five-year period.

3. OBJECTIVES OF THE STUDY

- To evaluate profitability performance using margin-based indicators.
- To examine short-term liquidity strength and working capital stability.
- To assess long-term solvency and capital structure soundness.
- To analyze operational efficiency using turnover ratios.
- To study trends in shareholder returns and earnings retention

4. SCOPE OF THE STUDY

The study is confined to financial analysis based on published annual financial statements for the period 2021–2025. Only secondary data sources were used. The research focuses on internal financial indicators and does not extensively examine macroeconomic or policy-related factors. The evaluation is limited to ratio interpretation and trend comparison across five year.

5. REVIEW OF LITERATURE

S. No	Year	Title & Authors	Objectives	Research Methodology	Main Findings (concise)
1.	2025	Equity Research Note Crompton	Analyse quarterly/ FY results and outlook	Analyst report; financial modelling + management call notes	Dissects revenue & EBITDA drivers; forecasts margin trajectory; discusses working capital cycles; sensitivity to commodity moves; valuation call and risks; seasonal impacts and inventory normalization.
2.	2021	Financial Analysis of Crompton Greaves	Five-year ratio & trend analysis for classroom use	Secondary; ratio computation from annuals	Liquidity ratio trends over 5 years; profitability ratios (ROE/ROCE); inventory & receivable days year-on-year; margin volatility; recommendations for WCM improvements and peer benchmarks.
3.	2024	Reuters Crompton beats profit view on demand for cooling	Report Q1 performance and demand drivers	Journalistic synthesis of release & analyst quotes	Reports beat vs estimates; highlights cooling demand; notes margin improvements; quotes analyst reactions; mentions temporary inventory effects and seasonality useful for contemporary evidence.

6. RESEARCH METHODOLOGY

Research Design

Descriptive and analytical research design.

Data Source

Secondary data collected from:

- Audited Annual Reports
- Financial Statements
- Company disclosures

Period of Study

2020–2025 (Five Years)

Sampling Method

Purposive sampling

7. ANALYSIS TOOLS USED & INTERPRETATION

7.1 PROFITABILITY RATIO

GROSS PROFIT RATIO

Gross Profit Ratio shows the percentage of gross profit earned on sales. It indicates how efficiently a company produces and sells its goods after covering the cost of production. **Formula**

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Revenue from Operations}} \times 100$$

GROSS PROFIT RATIO -TABLE 1

SI No	Year	Gross Profit (₹ Cr)	Revenue (₹ Cr)	Gross Profit Ratio (%)
1	2021	13,745.54	72,036.49	19.08
2	2022	15,919.88	100,383.80	15.86
3	2023	14,879.97	109,204.03	13.63
4	2024	21,247.30	125,068.51	16.99
5	2025	26,730.96	141,187.15	18.93

INTERPRETATION

The gross profit ratio declined from 19.08% in 2021 to 13.63% in 2023, indicating rising cost of goods sold or pricing pressure. However, it improved significantly in 2024 (16.99%) and 2025 (18.93%), showing better cost control and improved operational efficiency. Overall, the company demonstrates recovery and strengthening of gross profitability in the later years

7.2 SHAREHOLDERS' RATIOS EARNINGS PER SHARE (EPS)

Earnings Per Share (EPS) shows the profit earned by the company for each equity share. It reflects the profitability available to shareholders.

Formula

$$EPS = \frac{\text{Profit After Tax}}{\text{Number of Equity Shares}}$$

TABLE SHOWS EARNING PER SHARE -TABLE 2

S.no	Year	EPS (₹)
1	2021	80.74
2	2022	56.09
3	2023	55.85
4	2024	66.95
5	2025	79.06

INTERPRETATION

EPS declined from ₹80.74 in 2021 to ₹55.85 in 2023, reflecting reduced profitability. A recovery is observed in 2024 and 2025, with EPS rising to ₹79.06, indicating improved earnings available to equity shareholders.



8. FINDINGS

1. Crompton maintains stable liquidity above the standard benchmark.
2. Profitability shows moderate fluctuations due to cost pressures.
3. The capital structure is conservative with low debt dependency.
4. Revenue growth is consistent across the study period.
5. Working capital management requires closer monitoring.

9. SUGGESTIONS

1. Improve inventory management to strengthen liquidity.
2. Implement cost-control measures to stabilize profit margins.
3. Optimize receivables management for better cash flow.
4. Maintain balanced debt policy for expansion.
5. Enhance operational efficiency through technology integration.

10. CONCLUSION

The financial performance of Crompton Greaves Consumer Electricals Ltd reflects overall stability and controlled financial risk. While profitability fluctuates due to external cost factors, the company maintains strong solvency and adequate liquidity. Strategic improvements in working capital and cost management can further enhance long-term financial sustainability and shareholder value.

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