



A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF PROCONNECT SUPPLY CHAIN SOLUTION LIMITED

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1. Abstract

Today, evaluating a business's financial condition is a significant element used to assess the organization's overall operational success and measure its profitability and financial sustainability. In particular, evaluating financial performance helps businesses measure their success or viability, and then take appropriate action to improve their performance. As the business environment continues to grow more challenging and competitive, leading corporations in logistics/supply chain management constantly evaluate their financial position, and maintain profitability through evaluating

financial indicators of performance. This research study utilizes an analysis of Pro Connect Supply Chain Solutions Ltd. ("Pro Connect") as a focus for assessing its financial performance through a review of four types of ratios including: 1) Profitability Ratio; 2) Liquidity Ratio; 3) Solvency Ratio; and 4) Efficiency Ratio. The research uses secondary data collected from publicly-accessible sources using quantitative methods by employing ratio analysis and other types of quantitative methods to assess Pro Connects financial condition using financial statement.

Keywords: *Financial Performance, Ratio Analysis, Profitability, Liquidity, Supply Chain Management, Financial Stability*

2. Introduction

2.1 Background of the study

The financial performance analysis provides an approach to consistently review and evaluate a corporation's financial position and operational effectiveness over a given period. In logistic and supply chain sector, companies work in extremely competitive commodity characterized by the competitive environment and the changing customer demands of their



markets caused by each aggregate changing due to changes in worldwide demand for various products and services.

The purpose of this study is to develop an understanding of the strategies presently used by Pro Connect Supply Chain Solutions Ltd. in achieving the organisation's financial objectives. Pro Connect Supply Chain Solutions is located in Toronto, Ontario and is engaged in many aspects of providing supply chain solutions to the various clientele of Ontario. Its primary business of providing warehousing, distribution and transportation services has resulted in numerous types of business relationships encompassing various degrees of financial commitment.

2.2 Research Problem

Although the demand for supply chain services is expected to continue on an upward trend, many businesses engaged in the delivery of supply chain services are experiencing difficulties in maintaining a consistent level of financial performance as indicated by the rising cost of goods sold, low levels of asset utilization, decreasing revenues, increasing levels of competition and inefficient use of resources.

Consequently, failure to complete an accurate, comprehensive and detailed financial analysis of a business can result in poor management decisions, lower profits and the inefficient use of an organisation's resources.

2.3 Objectives of the Study

- To analyze the liquidity position of the company.
- To evaluate the solvency position of the company.
- To measure the efficiency of the company.
- To analyze the financial structure of the company.

To study the comparative income statement of the company

2.4 Significance of the Study

The significance of this study is that it will provide useful information regarding the financial health of Pro Connect. This study will provide a basis for management to make strategic decisions and to improve performance. It will also provide an understanding of the financial strength and growth potential of Pro Connect for investors and stakeholders.



Profitability ratios, including return on investment and net profit ratio, assess a company's ability to generate profits in relation to the amount of sales or investments made. Solvency ratios assess a firm's long-term financial stability, while efficiency ratios evaluate the extent to which a company has made efficient use of resources through the combination of its profits and available resources.

3. Review of Literature

Financial performance analysis has gained significant importance in business and finance literature, as it helps organizations evaluate their operational efficiency, profitability, and overall financial health. Researchers have highlighted that financial performance indicators such as profitability ratios, liquidity ratios, and efficiency ratios play a crucial role in decision-making and long-term sustainability. For instance, Eugene F. Brigham and Joel F. Houston (2019) emphasized that financial analysis provides insights into a firm's strengths and weaknesses, enabling better strategic planning and resource allocation.

Financial performance is closely associated with effective financial management practices. According to James C. Van Horne and John M. Wachowicz Jr. (2008), proper

management of assets, liabilities, and capital structure is essential for maintaining financial stability and achieving organizational objectives. Efficient utilization of financial resources can improve profitability and ensure business growth, especially in competitive industries like supply chain management.

In the context of supply chain organizations, financial performance is influenced by operational efficiency and cost management. Martin Christopher (2016) highlighted that effective supply chain management reduces operational costs, improves service levels, and enhances overall financial performance. Similarly, Sunil Chopra and Peter Meindl (2019) emphasized that coordination and integration of supply chain activities lead to better financial outcomes and competitive advantage.

Moreover, ratio analysis is widely used as a tool for evaluating financial performance. K. R. Subramanyam (2014) stated that financial ratios help in comparing past and present performance and assist stakeholders in making informed decisions. Liquidity, profitability, and solvency ratios are essential in understanding the financial



position of a company and identifying areas for improvement.

In addition, external factors such as market conditions, economic environment, and industry trends also influence financial performance. According to Peter F. Drucker (2007), organizations must continuously adapt to changing business environments to sustain financial performance. Therefore, analyzing financial performance in a supply chain company like Proconnect Supply Chain Solution Limited becomes essential to understand its efficiency, profitability, and long-term sustainability.

3.1 Research gap

The previous research carried out in the area of financial performance analysis has been predominantly focused on evaluating the performance of large corporations, with similar evaluations of specific industries, most notably, banking and manufacturing. There has been relatively less research investigating the area of mid-size transportation and supply chain organizations.

4. Research Methodology

The study is based on secondary data collected from the annual reports of Pro

Connect Supply Chain Solutions Ltd. The financial data for the years 2022–23 and 2023–24 are used for analysis. Ratio analysis, comparative income statement, and common size income statement are used as tools for financial analysis.

4.1 The Design of the Study

The study employs a descriptive and analytical research methodology that will include using quantitative analysis of financial figures. The study will describe the financial performance of the company; and examine the associations between various financial measures.

4.2 Data Collection Procedure

The study utilizes secondary data sources as follows:

Annual reports of the organization

Financial reports (balance sheets, income statements)

Financial statements and/or corporate database

Relevant journals, articles, and/or textbooks

The data will be collected for a period of time in order to analyse yearly changes, as

well as the trend of performance for the analysed period.

4.3 Research Model and Analytical Tools

4.3.1 Tools used for Analysis

- Liquidity Ratios – Current Ratio, Quick Ratio, Cash Ratio
- Solvency Ratios – Debt Equity Ratio, Debt Ratio, Equity Ratio, Interest Coverage
- Ratio
- Efficiency Ratios – Fixed Asset Turnover Ratio, Working Capital Turnover Ratio
- Comparative Income Statement
- Common Size Income Statement

5. Data Analysis and Interpretation

Table 1: Liquidity Ratios

Ratio	2022-23	2023-24
Current Ratio	1.69	1.82
Quick Ratio	1.68	1.81
Cash Ratio	0.36	0.37

Inference: The liquidity ratios show that the current ratio increased from 1.69 to 1.82 and the quick ratio increased from 1.68 to 1.81. This indicates that the company has a good short-term financial position and can

meet its current liabilities easily. The cash ratio also slightly increased, which shows the company maintains sufficient cash balance

Table 2: Solvency Ratios

Ratio	2022-23	2023-24
Debt Equity Ratio	0.61	0.62
Debt Ratio	0.44	0.43
Equity Ratio	0.56	0.57
Interest Coverage Ratio	2.63	2.27

Inference: The solvency ratios indicate that the company has a stable long-term financial position. The debt-equity ratio is low, which shows low financial risk. The equity ratio is higher than the debt ratio, which means the company is more dependent on equity than debt. The interest coverage ratio is satisfactory

Table 3: Efficiency Ratios

Ratio	2022-23	2023-24
Fixed Asset Turnover Ratio	0.0144	0.0161
Working Capital Turnover Ratio	0.0273	0.023

Inference: The efficiency ratios show that the fixed asset turnover ratio has increased, which indicates better utilization of fixed assets. However, the working capital turnover ratio has decreased, which indicates that working capital is not used efficiently. The company should improve working capital management

Table 4: Comparative Income Statement

Particulars	2022-23	2023-24	Change %
Revenue	100	104.84	4.84%
Finance Cost	100	127.84	27.84%
Profit Before Tax	100	105.1	5.10%
Profit After Tax	100	118.64	18.64%

Inference: The comparative income statement shows that revenue increased by 4.84% and profit after tax increased by 18.64%, which indicates improvement in profitability. However, finance cost increased by 27.84%, which is not a good sign. The company should try to reduce finance cost.

7. Results and Discussion

The results of the study indicate that Pro Connect Supply Chain Solutions Ltd has maintained a stable financial performance during the study period. The liquidity position of the company is satisfactory, as evidenced by the increase in the current ratio and quick ratio, which shows the company's ability to meet its short-term obligations effectively. The solvency position of the company is also strong, with a low debt-equity ratio and a higher equity ratio, indicating low financial risk and a stable capital structure. The efficiency analysis reveals that the company has improved its utilization of fixed assets,

although the decline in working capital turnover suggests the need for better working capital management. The comparative income statement shows that revenue and profitability have increased, reflecting positive growth in business operations. However, the significant increase in finance costs is a matter of concern, as it may impact future profitability.

8. Findings and Suggestions

- Pro Connect Supply Chain Solutions Ltd maintained a satisfactory liquidity position, as the Current Ratio increased from 1.69 to 1.82 and the Quick Ratio increased from 1.68 to 1.81; the company should continue effective management of current assets and liabilities to maintain liquidity.
- The company maintained a stable solvency position with a low Debt-Equity Ratio (0.61 to 0.62) and an increasing Equity Ratio (0.56 to 0.57), indicating low financial risk; the company should maintain a proper balance between debt and equity financing.



- The Fixed Asset Turnover Ratio increased from 0.0144 to 0.0161, showing better utilization of fixed assets; however, the Working Capital Turnover Ratio decreased from 0.0273 to 0.0230, so the company should improve working capital management.
- The company's revenue increased by 4.84% and Profit After Tax increased by 18.64%, indicating improvement in profitability and overall financial performance; the company should focus on business expansion and cost control to improve profits further.
- The finance cost increased by 27.84%, which may reduce net profit in the future; therefore, the company should reduce finance costs by controlling borrowings and improving financial management.

9. Future recommendations

Pro Connect Supply Chain Solutions Ltd has shown stable financial performance during the study period; however, sustaining and improving this performance requires proper financial and operational strategies. The company should focus on improving its working capital management to ensure better liquidity and smooth

business operations. The company should also try to reduce finance costs by minimizing unnecessary borrowings and improving debt management. Increasing asset utilization through efficient use of fixed assets will help in improving revenue and profitability.

10. Conclusion

The study on financial performance analysis of Pro Connect Supply Chain Solutions Ltd shows that the company has maintained a stable financial position during the study period. The liquidity position of the company is satisfactory, which indicates that the company can meet its short-term obligations. The solvency position shows low financial risk and strong equity support, which indicates long-term financial stability. The efficiency analysis shows that the company is utilizing its fixed assets efficiently, but it needs to improve its working capital management. The comparative income statement shows that revenue and profit have increased during the study period, which indicates improvement in overall financial performance. However, the increase in finance cost is a matter of concern and should be controlled. Overall, the company has a stable financial position with



moderate growth and has good potential for future expansion and profitability.

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