

Financial Statement Analysis of Godrej Properties Ltd Through Ratio Analysis

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Abstract: *This study evaluates the financial performance of Godrej Properties Ltd., a prominent Indian real estate developer, through financial statement analysis using the ratio analysis technique. Key metrics, including liquidity, profitability, and solvency ratios, are applied to assess the company's ability to manage costs, meet obligations, and achieve sustainable growth. Findings indicate that Godrej Properties Ltd. maintains strong financial health with effective cash flow management and strategic debt practices, positioning the company for continued success in the competitive real estate sector.*

Keywords: Financial Statement Analysis, Ratio Analysis, Godrej Properties Ltd, Liquidity, Profitability

1. Introduction

Financial statement analysis is the process of analysing the financial statements of the company, including the income statement, cash flow statement, and balance sheet. It is used to analyse the revenue, earnings, assets, liabilities, and cash flow to understand the financial health and performance of the company. There are 5 approaches to financial statement analysis. They are horizontal analysis, vertical analysis, ratio analysis, trend analysis, and cost-volume profit analysis.

Godrej Properties Ltd. is a century-old company that has deep roots in India. It entered the real estate sector in the year 1990 and has continued to grow. It has gained the trust of the stakeholders. This gives a strong foundation for the company to develop residential, commercial, and township projects across the country. Financial statement analysis is important to analyse the financial health and to understand the profitability, liquidity, solvency, operational efficiency, and cash flow management of the company. The income statement, balance sheet, and cash flow statement will be utilized to give insights to stakeholders, including investors, creditors, and management, to make decisions related to investment, lending, and operational strategies.

The first component of financial statement analysis is profitability analysis. It focuses on the evaluation of a company's ability to generate profits, which is shown in the income statement. It is used to measure gross profit, net profit, and operating profit. By doing profitability analyses, the company will be able to understand how they manage their costs based on revenue generated in the company. Liquidity analysis helps to examine a company's ability to meet its short-term obligations and working capital requirements. Current ratio, liquid ratio, and balance sheet are verified for understanding short-term financial stability.

The second component is solvency analysis, which evaluates a company's capacity to fulfil long-term obligations and its ability to fund long-term growth without risk. A balance sheet can be analysed to find out debt equity levels by using the

debt equity ratio. To understand operational efficiency, the inventory turnover ratio can be calculated. This shows how well a company uses assets to manage operations, which in turn helps to identify growth opportunities to maintain financial stability.

The third component for analysis is cash flow analysis, which helps to understand liquidity and financial flexibility. It helps to evaluate the cash generated from operating, financing, and investment activities in the organization. Since real estate is mostly concerned with cash flows, it becomes necessary to implement cash management strategies. These strategies help to support ongoing and future projects, repay debts, and invest in growth opportunities while maintaining stability.

The real estate industry has so many challenges, like economic cycles, interest rates, and regulatory changes, which impact the finances of the company. Godrej Properties is no exception. As all real estate needs substantial borrowing, it must be carefully balanced to avoid overextension. Revenue recognition is difficult as the projects take a long time to get completed and revenue generation happens in various stages. Therefore, it is important to manage cashflows to maintain profitability and liquidity in the organization.

Godrej properties is a reputed company which has growth potential. By doing financial statement analysis we will be able to understand its ability to sustain its leadership in the competitive market. If profitability ratios are strong it indicates about companies success in managing cost and generating returns on its investments. Liquidity ratios indicate that the company can meet its short term obligations without any financial stress. Debt equity ratio indicates that the balance has been achieved between debt and sufficient equity is there to support long term growth. Asset turnover and inventory turnover ratios indicates efficient utilisation and management of resources which contribute to overall profitability.

Strategic decision at Godrej Properties is supported by insights gained from financial statement analysis. This helps

in identifying financial strengths and weaknesses in the organisation. It helps to make informed decisions on capital allocation, project selection and risk management. This analysis helps recognise areas that need improvement to achieve operational efficiency. This financial analysis helps investors to understand the company's investment viability, enabling them to assess potential risks and returns associated with investing in Godrej Properties. The analysis provides a basis for determining whether the company is likely to deliver consistent returns, maintain financial stability, and achieve sustainable growth in the competitive real estate market.

Financial statement analysis ensures transparency and makes sure that Godrej Properties adheres to all regulatory requirements. Compliance with accounting standards and regulations builds trust with stakeholders, reinforcing the company's reputation for reliability and integrity in the market. Financial statement analysis of Godrej Properties helps understand company's financial health, operational performance and future growth potential. Evaluation of profitability, liquidity, solvency, operational efficiency and cash flow helps stakeholders to make informed decisions that contributes to company's long term success.

2. Review of Literature

- 1) **Rehman, M. F. U., & Lahari, M. K. (2024).** The study on GVK Power & Infrastructure Pvt Ltd's financial statement analysis evaluates the company's performance, stability, and prospects by examining financial documents over five years. It provides insights for stakeholders on profitability, solvency, liquidity, and operational efficiency, using secondary data from annual reports. Key financial ratios track trends, though limitations include the narrow time frame and a focus on quantitative factors. Findings show strong performance but highlight concerns like high debt and industry-specific risks. Recommendations include data accuracy, benchmarking, scenario analysis, and qualitative assessments. Proactive risk management and strategic planning are crucial for sustained growth.
- 2) **Xin, W. (2024).** The financial analysis of BYD Co., Ltd. from 2019 to 2023 highlights robust growth, particularly in the new energy vehicle sector. The debt-to-asset ratio rose to 77.86% in 2023, reflecting higher leverage for expansion. The current ratio, however, declined to 0.67, indicating some short-term debt vulnerability. Operational efficiency improved, with accounts receivable turnover and inventory turnover both exceeding industry averages. Profitability strengthened, with gross profit margin rising to 20% in 2023. BYD's revenue and net profit growth were substantial, especially in 2022. While BYD shows strong potential, managing rising debt levels is essential for long-term stability.
- 3) **Hasanah, R., & Mareta, F. (2021).** The study evaluates the financial performance of PT Polychem Indonesia from 2017 to 2019 using financial ratios and economic value added (EVA). The analysis reveals that the company exhibits good liquidity and solvency ratios, indicating its ability to meet short-term and long-term obligations. However, its profitability ratios show poor performance, with negative returns on investment (ROI)

and return on equity (ROE), suggesting challenges in generating profits. The study aims to provide insights into improving the company's financial performance for better operational and strategic decision-making.

- 4) **Karthikeyan, K. (2021).** The cooperative showed positive financial growth over the five-year period, with improved liquidity ratios suggesting better current liability management. Adopting seasonal loan disbursement and recovery patterns could help reduce late payments. Despite challenges, especially in 2014-15, the cooperative rebounded, enhancing profitability. The debt-to-equity ratio performed well, and efforts to cut operational costs were crucial. In summary, despite some setbacks, the cooperative steadily improved its financial performance over the analysed period.
- 5) **Shah, N. K. (2020).** The analysis compares Cadila Healthcare and Sun Pharma, two significant players in India's pharmaceutical sector. The industry is growing, driven by high demand, R&D advancements, and expanded healthcare coverage. Financially, Cadila has a stable dividend pay-out and current ratio, while Sun Pharma has shown growth and recovery, especially in EPS, profitability, and asset efficiency. Sun Pharma has lower debt, better ROCE, and improved ROA, indicating strong financial management. Despite challenges, Sun Pharma shows stronger financial performance and efficiency, making it a promising option for investors.

Objectives of the study

- 1) To assess the financial health and operational performance of Godrej Properties Ltd. through ratio analysis.
- 2) To provide insights for investors, stakeholders, and management regarding the company's strengths and areas for improvement.

Significance of the study

This study offers valuable insights for stakeholders, aiding in informed decision-making regarding investments and business strategies. By examining financial ratios, this research provides a comprehensive understanding of the company's resilience and potential in a competitive market.

Research Methodology

This research analyses the financial performance of Godrej Properties Ltd. using the ratio analysis method. This company is into real estate and develops residential and commercial properties. The data in this study is obtained from financial statements of the company published from the year 2019-20 to 2023-24.

To assess the performance of these financial statements ratio analysis technique has been used.

Ratio Analysis

a) Liquidity Ratio

- The liquidity ratio is a ratio that measures the ability of how liquid the finances of a company are or how the company can pay if the company goes bankrupt or the company can pay the short-term debt. In this ratio, there are two ratios to be calculated.
- Current Ratio
- Quick Ratio

b) Solvency Ratio

- The solvency ratio is almost the same as the liquidity ratio. What distinguishes this ratio is that it measures a company's ability to pay the short-term and long-term debt.
- Debt Ratio
- Debt to Equity Ratio

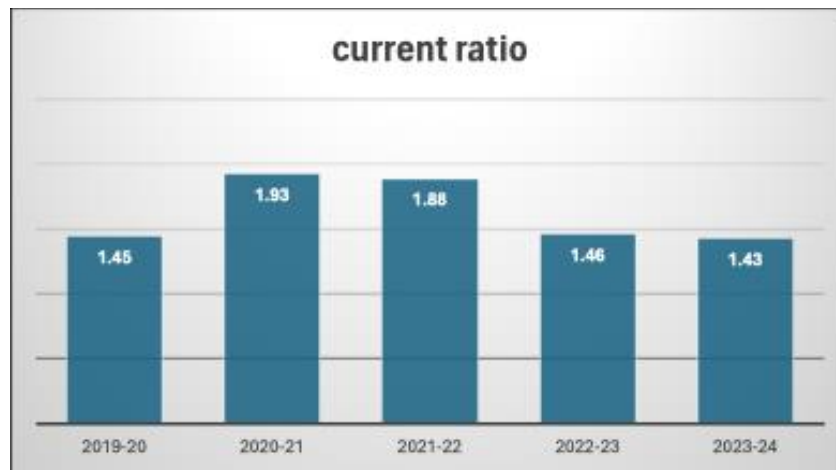
c) Profitability Ratio

- The profitability ratio is the ratio to gain profit or profit within a company.
- Return on Investment (ROI)
- Gross Profit Ratio
- Net Profit Ratio

3. Analysis and Interpretation**1) Liquidity Ratio Analysis**

Current Asset Ratio

Year	Current Assets	Current Liabilities	Current Ratio
2019-20	7644.56	5287.15	1.45
2020-21	13073.52	6769.29	1.93
2021-22	15095.53	8015.86	1.88
2022-23	20172.51	13786.16	1.46
2023-24	32450.15	22731.94	1.43

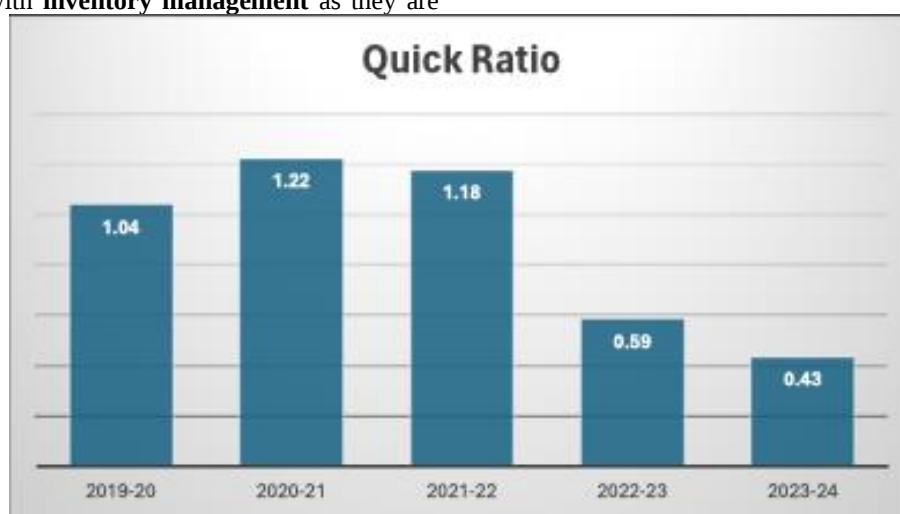


The declining current ratio from 1.93 in 2020-21 to 1.43 in 2023-24 can be attributed to several factors. One key reason is the **faster growth in current liabilities** compared to current assets, particularly between 2022-23 and 2023-24, where liabilities increased by around 65%, while assets grew by only 60%. This imbalance suggests that the company is borrowing more to finance operations or growth. Additionally, the company has turned to **short-term** credit facilities to finance expansion, further increasing liabilities. Another factor is **slower growth in current assets**, indicating inefficiencies in converting resources into liquid assets, such as cash, inventories, or receivables. The company is also facing challenges with **inventory management** as they are

facing challenges with **collection** leading to a less favourable liquidity position. The decline shows **potential financial stress**, with the company relying more heavily on short-term credit to meet obligations.

Quick Ratio

Year	Quick Asset	Quick Liabilities	Quick Ratio
2019-20	5519.25	5287.15	1.04
2020-21	8272.11	6769.29	1.22
2021-22	9427.22	8015.86	1.18
2022-23	8099.11	13786.16	0.59
2023-24	9885.53	22731.94	0.43



The **Quick Ratio** data shows a significant decline from 2019-20 to 2023-24. The quick ratio measures the company's ability

to meet its short-term liabilities with its most liquid assets (excluding inventory). In 2019-20, the quick ratio was **1.04**,

meaning the company had just enough quick assets to cover its liabilities. The ratio improved in 2020-21, reaching **1.22**, indicating a strong liquidity position. However, from 2021-22 onward, the ratio began to decline, dropping to **0.59** in 2022-23 and further plummeting to **0.43** in 2023-24. This sharp decline is due to **rapidly increasing quick liabilities**, which outpaced the growth in quick assets. Specifically, between 2022-23 and 2023-24, quick liabilities grew by **65%** (from 13,786.16 to 22,731.94), while quick assets increased only marginally by **9.7%** (from 8,099.11 to 9,885.53). A quick ratio below 1 signals potential liquidity problem, as the company does not have enough quick assets to cover its immediate obligations, raising concerns about its ability to

meet short-term liabilities without relying on asset sales or further borrowing.

2) Solvency Ratio Analysis

Debt - Equity Ratio

Year	Total Liabilities	Shareholders' Equity	Debt - Equity Ratio
2019-20	5301.5	4804.48	1.10
2020-21	7928.17	8319.49	0.95
2021-22	9129.99	8673.57	1.05
2022-23	13818.15	9287.15	1.49
2023-24	25433.42	10301.44	2.47

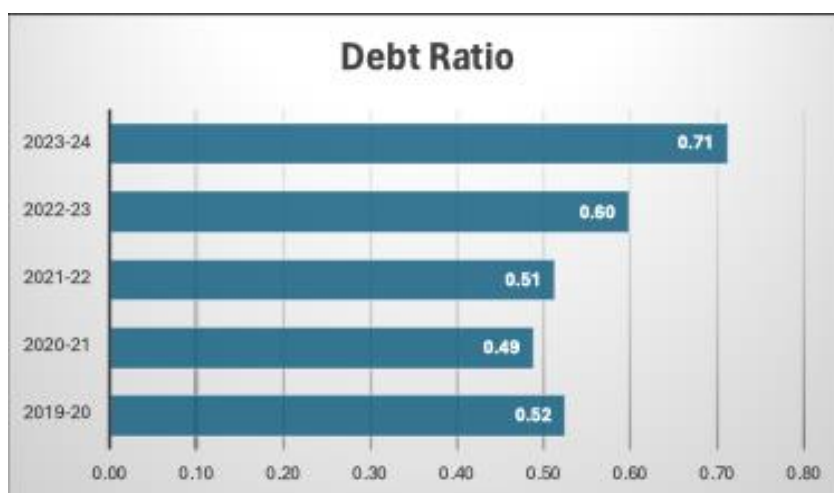


The **Debt-Equity Ratio** over the years shows a significant increase, indicating a shift in the company's capital structure towards higher leverage. In 2019-20, the ratio was **1.10**, meaning the company had slightly more liabilities than equity. This ratio decreased to **0.95** in 2020-21, suggesting a stronger equity base relative to debt. However, from 2021-22 onward, the ratio began rising, reaching **1.49** in 2022-23 and surging to **2.47** in 2023-24. This dramatic increase is due to a substantial rise in **total liabilities**, which grew by **84%** from 13,818.15 in 2022-23 to 25,433.42 in 2023-24, while **shareholders' equity** increased by only **10.9%** over the same period. A **higher debt-equity ratio** indicates that the company is relying more on debt to finance its operations,

which could signal increased financial risk. If not managed carefully, this higher leverage could impact the company's ability to service its debt, especially if cash flow or profitability declines.

Debt Ratio

Year	Total Liabilities	Total Assets	Debt Ratio
2019-20	5301.5	10105.98	0.52
2020-21	7928.17	16247.66	0.49
2021-22	9129.99	17803.56	0.51
2022-23	13818.15	23105.3	0.60
2023-24	25433.42	35734.86	0.71



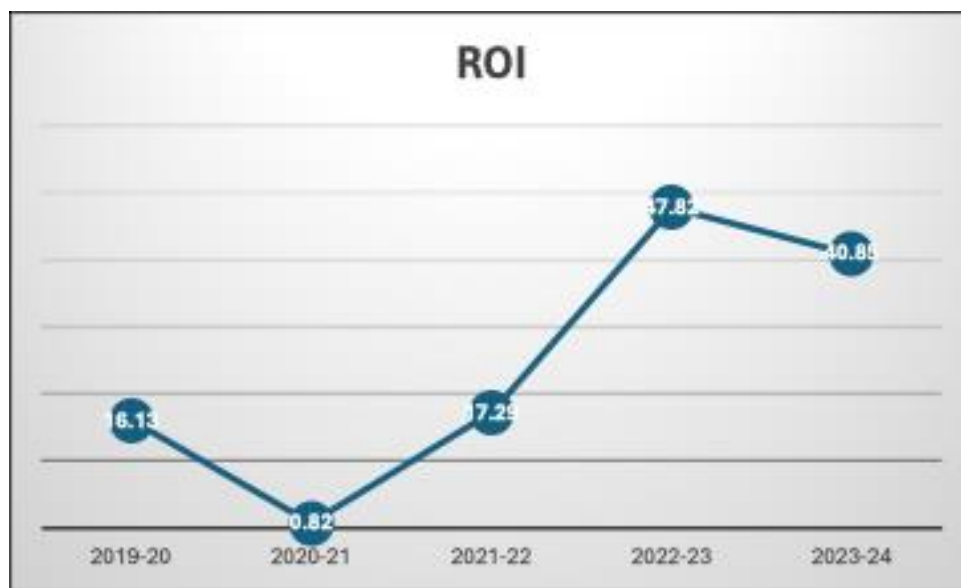
The **Debt Ratio** measures the proportion of a company's assets that are financed by liabilities, and the data reveals a noticeable upward trend in the company's reliance on debt. In 2019-20, the debt ratio was **0.52**, indicating that **52%** of the company's assets were financed by liabilities. This ratio improved slightly to **0.49** in 2020-21, suggesting a healthier balance between debt and assets. However, starting from 2021-22, the debt ratio began to rise, reaching **0.60** in 2022-23 and further increasing to **0.71** in 2023-24. This means that by 2023-24, **71%** of the company's assets were financed by debt, reflecting a sharp rise in total liabilities. The significant jump in liabilities, particularly between 2022-23 and 2023-24, with an increase of **84%** (from 13,818.15 to 25,433.42), outpaced the growth in total assets, which rose by **54.7%** (from 23,105.3 to 35,734.86). A rising debt ratio indicates

higher financial risk, as the company is increasingly relying on external financing, which could lead to potential solvency issues in the future.

3) Profitability Ratios

Return on Investment

Year	Income	Expenses	Total Investment	ROI
2019-20	2914.59	2338.53	3571	16.13
2020-21	1333.09	1302.68	3719.39	0.82
2021-22	2585.69	1880.63	4078.74	17.29
2022-23	3039	2203	1748.21	47.82
2023-24	4334.22	3361.97	2379.95	40.85



The **Return on Investment (ROI)** table highlights the company's annual performance in terms of profitability relative to its investments over the past five years. In 2019-20, the ROI was **16.13%**, indicating a strong return from the company's operations. This dropped significantly to **0.82%** in 2020-21, reflecting a near-break-even scenario due to income and expenses being almost equal. The ROI rebounded to **17.29%** in 2021-22, showing improved efficiency in managing expenses relative to income. The most notable changes occurred in 2022-23 and 2023-24, where the ROI escalated dramatically to **47.82%** and **40.85%**, respectively. These high returns were due to a substantial increase in income and a disproportionate relationship between expenses and a lower total investment, especially noticeable in 2022-23 where the total investment was significantly lower than in previous years. The sharp increases in ROI suggest the

company achieved higher profitability on its investments, likely due to effective cost management and increased operational efficiency. This trend is a positive indicator of the company's ability to generate profits from its investments, but the varying levels of ROI year-over-year also suggest fluctuations in business operations or market conditions that the company needs to manage to maintain stable growth.

Net Profit Margin

Year	Net Profit/loss	Revenue	NPM
2019-20	270.63	2441.42	11%
2020-21	-189.43	764.92	-25%
2021-22	350.55	1824.88	19%
2022-23	620.6	2252.26	28%
2023-24	747.06	3035.62	25%

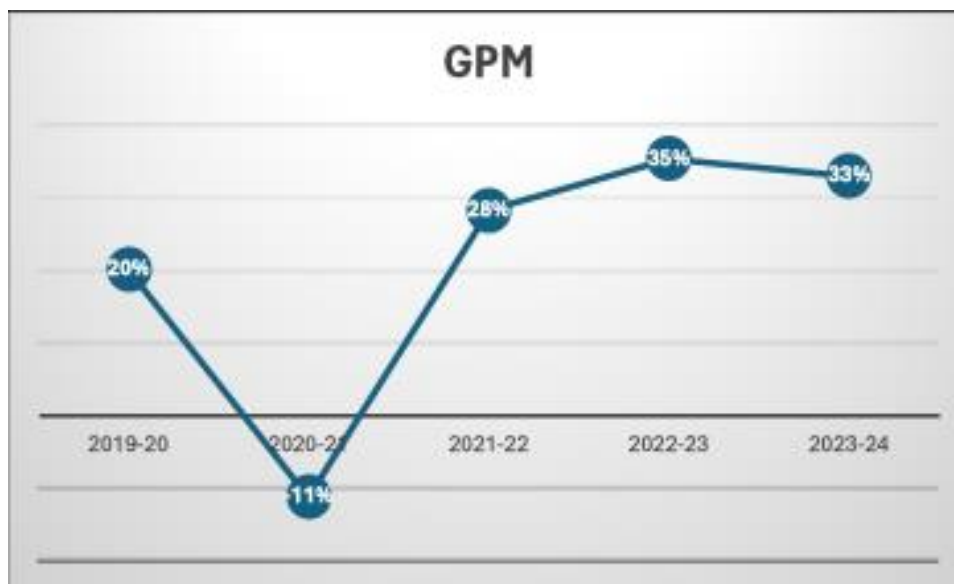


The **Net Profit Margin (NPM)** measures the percentage of revenue that remains as profit after all expenses are deducted, and the data reveals a fluctuating but improving trend in the company's profitability. In 2019-20, the NPM was **11%**, indicating the company retained 11 cents of profit for every dollar of revenue. However, the company faced a significant setback in 2020-21, reporting a **negative NPM of -25%**, meaning it incurred a loss of 25 cents for every dollar of revenue due to a net loss of 189.43 and a significant drop in revenue. This sharp decline could reflect challenges such as higher expenses or reduced sales. The situation improved drastically in 2021-22, with the NPM rebounding to **19%**, driven by a return to profitability and increased revenue. In 2022-23, the NPM reached its peak at **28%**, reflecting strong profitability as net profit grew significantly. Although the NPM slightly decreased to **25%** in 2023-24, it still indicates

a healthy profit level, with the company retaining a quarter of its revenue as profit. The overall trend suggests the company has successfully recovered from its 2020-21 challenges, significantly improving its efficiency and profitability, though the slight dip in 2023-24 signals the need for continued focus on cost management and revenue growth to maintain high profitability levels.

Gross Profit Margin

Year	Gross Profit	Revenue	GPM
2019-20	490.94	2441.42	20%
2020-21	-85.66	764.92	-11%
2021-22	516.23	1824.88	28%
2022-23	795.27	2252.26	35%
2023-24	999.99	3035.62	33%



The **Gross Profit Margin (GPM)** shows the percentage of revenue that exceeds the cost of goods sold, indicating how efficiently a company is producing its goods. In 2019-20, the GPM was **20%**, meaning the company kept 20% of its revenue as gross profit after covering production costs. However, in 2020-21, the GPM dropped to **-11%**, reflecting a gross loss, as the cost of goods sold exceeded revenue

during that period. This significant decline could indicate higher production costs or pricing challenges in a difficult year. From 2021-22 onwards, the company made a strong recovery, with the GPM improving to **28%**, showing a healthier balance between production costs and revenue. The trend continued positively in 2022-23, with the GPM rising to **35%**, the highest in the five-year period, reflecting enhanced

efficiency and profitability in its production process. In 2023-24, although the GPM slightly decreased to **33%**, it remains strong, showing that the company continues to retain a solid portion of its revenue as gross profit. Overall, the improvement in GPM after the 2020-21 setback demonstrates better cost control and operational efficiency, though the slight drop in the latest year suggests that continued focus on maintaining or reducing production costs relative to revenue is essential to sustain high margins.

4. Suggestions

- 1) Increase focus on accounts receivable by streamlining the invoicing process and offering discounts for early payments to improve cash inflow.
- 2) Explore options to refinance existing debt at lower interest rates or consolidate loans to reduce monthly obligations.
- 3) Create a structured plan to gradually reduce debt levels, focusing on the most expensive liabilities first.
- 4) Maintain open lines of communication with investors and creditors regarding financial health and strategic plans to build trust and confidence.
- 5) Develop contingency plans for potential economic downturns or market changes to ensure readiness for unforeseen challenges.
- 6) Implement regular reviews of financial ratios and performance metrics to identify trends early and make proactive adjustments.
- 7) Develop more robust forecasting and budgeting processes to align expenses with anticipated revenues.
- 8) Review and evaluate borrowing practices to ensure funds are being used effectively and do not outpace asset growth.

5. Conclusion

The company is currently navigating a challenging financial landscape characterized by declining liquidity ratios, increasing debt levels, and fluctuating profitability metrics. The trends observed in the current ratio, quick ratio, and debt-equity ratio indicate a growing reliance on short-term financing and an escalating financial risk profile. However, the significant improvements in Return on Investment (ROI), Net Profit Margin (NPM), and Gross Profit Margin (GPM) reflect the company's potential for profitability when managed effectively.

To stabilize its financial position and ensure sustainable growth, the company must prioritize enhancing liquidity through improved accounts receivable management and efficient inventory practices. Additionally, addressing the increasing debt levels through refinancing and strategic debt reduction will be crucial to mitigating financial risk.

Regular communication with stakeholders and the development of contingency plans will help maintain investor confidence and readiness for market fluctuations. Implementing robust financial forecasting and performance monitoring will enable the company to proactively adapt to changing conditions.

By focusing on these strategies, the company can strengthen its financial health, improve operational efficiency, and position itself for long-term success in a competitive environment. Continuous attention to cost management, revenue generation, and financial stability will be essential for maintaining positive momentum and achieving future growth objectives.

In conclusion, the financial analysis of Godrej Properties Ltd. reveals both strengths and potential risks in its financial structure. Prioritizing liquidity, strategic debt reduction, and cost management will enhance financial stability and support sustainable growth.

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