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# A Study on Financial Statement Analysis at Ingram Micro Pvt. Ltd”

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**ABSTRACT:** This study presents an in-depth financial analysis of Ingram Micro Pvt. Ltd. over a five-year period, from FY2019–20 to FY2023–24. Utilizing key financial ratios and comparative tools, the research evaluates the company’s liquidity, profitability, efficiency, and solvency. While the current and quick ratios reflect moderate liquidity, the analysis reveals concerns regarding trends in profitability, including a significant drop in net income and operating margins in the most recent fiscal years. The company’s high debt-to-equity ratio further signals financial risk due to excessive leverage. Notably, FY2021–22 appears as an outlier with unusually high returns, likely driven by one-time gains. The findings emphasize the need for strategic financial restructuring, better cost control, and diversified revenue streams to ensure long-term sustainability. This analysis not only aids internal decision-makers but also provides a valuable framework for investors and analysts monitoring performance in the competitive IT distribution industry.

**KEYWORDS:** Financial Ratio Analysis, Liquidity, Profitability, Solvency, Operating Margins, Debt-to-Equity Ratio, Financial Restructuring, IT Distribution Industry, Return on Equity, Return on Assets, Cost Control, Strategic Finance, Leverage Risk, Fiscal Performance.

## I. INTRODUCTION

Ingram Micro Pvt. Ltd. is one of India’s leading IT distributors, playing a crucial role in connecting technology vendors with resellers and end-users. This analysis investigates the company’s financial performance using various tools, including ratio analysis, trend examination, and comparative financial statements.

The study’s goal is to derive actionable insights that reflect the company’s profitability, liquidity, solvency, and operational efficiency. It also offers suggestions for improving financial stability and shareholder value. The evaluation spans five fiscal years (FY2019–20 to FY2023–24), enabling a comprehensive view of the company’s financial trajectory across varying market conditions. Key indicators such as the current ratio and quick ratio highlight stable but suboptimal liquidity. Meanwhile, profitability metrics—including gross profit margin, net profit margin, ROA, and ROE—expose vulnerabilities, especially in recent years where a sharp decline was observed.

The analysis reveals that although the company has maintained operational consistency in areas like inventory and asset turnover, high levels of financial leverage and falling revenue in FY2023–24 pose significant risks. A one-time spike in profitability in FY2021–22 underscores the need to distinguish between sustainable performance and extraordinary gains.

Based on these insights, the study recommends strategic initiatives such as cost restructuring, revenue diversification, debt reduction, and digital transformation. These measures are critical not only to strengthen the company’s balance sheet but also to enhance long-term resilience in India’s rapidly evolving IT distribution sector.

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The evaluation spans five fiscal years (FY2019–20 to FY2023–24), enabling a holistic view of the company's financial health across dynamic economic and operational environments. Despite moderate revenue growth until FY2022–23, the company experienced a notable 9.8% decline in revenue in FY2023–24, signaling the impact of external market pressures and potential internal inefficiencies.

Liquidity indicators, such as the current ratio (1.36 to 1.44) and quick ratio (0.95 to 1.00), remained relatively stable, reflecting the firm's consistent ability to meet short-term obligations. However, these ratios still fall short of ideal benchmarks (2:1 for current ratio), suggesting room for strengthening working capital management.

Profitability, in contrast, presented greater volatility. The gross profit margin dropped from 8.56% in FY2020–21 to 6.51% in FY2022–23, while net profit margin remained low throughout the period, falling to just 0.54% in FY2023–24. This indicates rising cost pressures and diminishing earnings power, compounded by fluctuating operating margins and underwhelming control over non-operational expenses.

Return metrics highlighted inconsistencies in performance. The Return on Assets (ROA) and Return on Equity (ROE) surged in FY2021–22 (to 12.39% and 78.3% respectively), only to plummet sharply in the following years. These swings suggest that FY2021–22 may have included one-time income or asset adjustments, underscoring the importance of separating extraordinary gains from operational performance.

Efficiency ratios such as inventory turnover (averaging around 9.5) and asset turnover (peaking at 2.96 in FY2022–23) reflect solid operational efficiency. However, receivables turnover dropped to 5.20 in FY2023–24, indicating potential delays in collections and emerging stress on liquidity cycles.

The debt-to-equity ratio, although slightly improving, remained high at 5.03 in FY2023–24, demonstrating the company's ongoing dependence on debt financing. This financial structure increases the risk profile, especially when paired with declining profitability and slowing revenue growth.

In light of these findings, the study recommends:

- Diversification of revenue streams to reduce dependency on existing markets and improve resilience.
- Debt optimization through better capital allocation and long-term equity infusion to reduce interest burden and financial risk.
- Operational cost control, particularly in logistics and overheads, to support margin expansion.
- Strengthening receivables and inventory management to enhance cash flow.
- Strategic investment in automation and cloud-based distribution tools to improve scalability and data-driven decision-making.

## **II. OBJECTIVES OF THE STUDY**

The primary objective of this study is to conduct a comprehensive financial analysis of Ingram Micro Pvt. Ltd. over the period FY2019–20 to FY2023–24, with a view to evaluating the company's financial health, identifying strengths and weaknesses, and offering actionable recommendations. The specific objectives include:

- To assess the company's liquidity, profitability, solvency, and operational efficiency using key financial ratios and metrics.
- To evaluate year-over-year trends in revenue, cost of goods sold, gross profit, operating income, and net income to understand growth patterns and business performance.
- To benchmark the financial performance of Ingram Micro against industry averages and peer companies in the IT distribution sector.
- To determine the company's ability to meet short-term and long-term financial obligations, and assess its financial risk exposure through leverage indicators.
- To analyze the company's asset utilization, including receivables turnover, inventory turnover, and asset turnover, to evaluate efficiency in managing operational resources.
- To identify fluctuations in return on equity and return on assets, and understand their impact on investor confidence and shareholder value.
- To examine the composition and changes in capital structure, focusing on the balance between debt and equity financing and its implications on financial stability.

- To detect underlying financial issues that may not be apparent in raw financial statements, using ratio interpretation, common-size analysis, and trend analysis.
- To explore the impact of external factors, such as market fluctuations, policy changes, and macroeconomic shifts, on the company's financial performance (within available data scope).
- To provide strategic recommendations based on findings, focusing on improving profitability, optimizing cost structure, strengthening liquidity, and ensuring sustainable growth.

### **III. REVIEW OF LITERATURE**

#### **Fraser,L.M.&Ormiston,A.(2016)**

In their seminal book 'Understanding Financial Statements', Fraser and Ormiston provide a practical foundation for analyzing financial health using ratios. They emphasize the importance of interpreting profitability, liquidity, and solvency ratios to assess company performance over time. Their approach links financial outcomes to managerial efficiency and provides a reliable toolset for comparing performance across periods. This framework is widely used by investors and internal management to assess decision-making effectiveness. Their work supports the use of financial statement analysis as a diagnostic tool. It is particularly useful in understanding how various financial ratios reflect operational success or risk. The current study borrows this analytical approach in evaluating Ingram Micro's financials.

#### **Kothari S.P.(2001)**

In his paper 'Capital Markets Research in Accounting', Kothari connects accounting information to investor decision-making. He investigates how earnings quality impacts stock price reactions and investment decisions. The study shows that transparent financial reporting reduces information asymmetry. It promotes investor confidence and enhances capital allocation efficiency. Kothari's insights are particularly valuable when analyzing companies in competitive sectors like IT distribution. The study uses this foundation to interpret Ingram Micro's financial transparency and reporting quality. It highlights the implications of financial clarity on stakeholder trust.

#### **Ramakrishnan A.(2017)**

This research focuses on Indian IT distribution companies and evaluates how key financial ratios such as ROCE, inventory turnover, and net margin affect growth and sustainability. The study uses five years of financial data to establish performance benchmarks within the industry. Findings highlight the importance of maintaining healthy liquidity and working capital in fast-moving distribution sectors. Ramakrishnan also discusses macroeconomic influences such as GST and digital transformation. This aligns with the current research on Ingram Micro, providing a contextual reference for trend and ratio analysis. It adds practical industry relevance to financial evaluation.

### **IV. RESEARCH METHODOLOGY**

#### **Research Design**

The study follows a descriptive and analytical research design. Descriptive design is used to present a structured and factual overview of the company's financial data, while analytical design is applied to interpret the numbers through various financial tools and extract meaningful conclusions related to performance, efficiency, and risk.

#### **Source and Type of Data**

This study is based entirely on secondary data, which has been collected from the following sources:

- Audited annual reports of Ingram Micro Pvt. Ltd.
- Financial statements, including balance sheets, income statements, and cash flow statements.
- Industry reports and publications relevant to the Indian IT distribution sector.
- Data compiled from credible financial databases and research articles.

#### **Period of Study**

The analysis covers a continuous five-year financial period, from FY2019–20 to FY2023–24. This time frame allows for a detailed understanding of the company's financial trends, growth patterns, and performance shifts under changing economic conditions.

#### **Tools and Techniques for Analysis**

To evaluate the financial performance of Ingram Micro Pvt. Ltd., the following analytical tools were employed:

- **Ratio Analysis:**

To assess the company's liquidity, profitability, solvency, and operational efficiency. Key ratios include:

- Current Ratio
- Quick Ratio
- Net Profit Margin
- Return on Assets (ROA)
- Return on Equity (ROE)
- Debt-to-Equity Ratio
- Inventory Turnover
- Asset Turnover

- **Trend Analysis:** Used to identify the direction and consistency of financial variables over time (revenue, profits, assets, liabilities, etc.).

- **Common-Size Analysis:** Helps in comparing financial statements by converting all items into percentages of a base value, facilitating easier comparison across years.

- **Comparative Financial Statements:** Year-on-year changes in revenue, net income, total assets, and other key metrics are compared to understand financial progression or decline.

## V. DATA ANALYSIS AND INTERPRETATION

### Key Financial Ratio Analysis (FY2019–FY2024)

#### □ Liquidity Ratios

Ratio	FY19–20	FY20–21	FY21–22	FY22–23	FY23–24
Current Ratio	1.36	1.39	1.42	1.44	1.40
Quick Ratio	0.95	0.95	0.96	1.00	0.98

**Insight:** Liquidity is sufficient, but below the ideal 2:1 benchmark. Quick ratio shows healthy short-term asset management.

#### □ Profitability Ratios

Ratio	Peak Year	Lowest Year	Comment
Gross Profit Margin	8.56% (FY21)	6.51% (FY23)	Fluctuating efficiency in cost control.
Operating Profit Margin	6.4% (FY22)	1.74% (FY24)	Suggests operational inefficiencies.
Net Profit Margin	4.71% (FY22)	0.54% (FY24)	Overall low profitability.

#### □ Return Ratios

Ratio	Peak	Latest	Trend
ROA	12.39% (FY22)	1.41% (FY24)	Sharp decline.
ROE	78.3% (FY22)	7.08% (FY24)	High volatility.

**Insight:** FY2021–22 saw unusually high returns, likely due to non-recurring gains.

#### □ Efficiency Ratios

Ratio	Trend
Receivables Turnover	Declined to 5.20 in FY24, indicating slower collections.
Inventory Turnover	Stable around 9.5 – indicates solid stock management.
Asset Turnover	Consistent, peaking at 2.96 in FY23 – shows good asset use.

## **VI. FINDINGS OF THE STUDY**

The financial analysis of Ingram Micro Pvt. Ltd. for the period FY2019–20 to FY2023–24 reveals several critical insights into the company's financial health and operational performance. While the company has maintained a stable liquidity position with current and quick ratios averaging around industry norms, these levels remain below ideal benchmarks, suggesting that the firm's ability to absorb external shocks or invest in long-term initiatives is limited. This reflects a need to strengthen short-term asset management and working capital planning.

Profitability across the five-year period has been inconsistent. Although a significant spike in net profit and return on equity was observed in FY2021–22, likely due to one-time gains or exceptional revenue streams, these figures quickly declined in subsequent years. The net profit margin dropped to 0.54% in FY2023–24, while return on assets and equity followed a similar downward trend. This pattern indicates underlying operational inefficiencies and raises concerns about the sustainability of earnings. Gross and operating profit margins also reflect pressure from rising costs and potentially narrowing pricing power in a competitive market.

## **VII. SUGGESTIONS**

Based on the comprehensive financial analysis conducted for the period FY2019–20 to FY2023–24, it is evident that Ingram Micro Pvt. Ltd. must take strategic measures to address the financial inconsistencies and risks identified. The following suggestions are proposed to strengthen the company's financial performance and long-term competitiveness.

To begin with, revenue diversification is crucial. The company should explore untapped markets such as Tier 2 and Tier 3 cities, introduce value-added services (like managed IT support, cloud infrastructure consulting, or cybersecurity audits), and consider partnerships with emerging tech startups. This will reduce dependency on traditional product segments and provide resilience against sector-specific downturns.

In parallel, cost optimization should be pursued rigorously. This includes conducting regular cost audits to identify leakages, automating repetitive tasks to reduce manpower overheads, and consolidating warehouse or logistics operations where feasible. Strategic outsourcing of non-core functions could also enhance efficiency while reducing operational strain.

Given the company's high leverage, a deliberate effort should be made to restructure its capital base. Management should prioritize debt reduction by allocating a portion of retained earnings toward repaying long-term obligations. Where feasible, low-interest refinancing or equity-based funding may be explored to reduce dependency on debt without compromising liquidity.

Improved receivables and inventory management is also essential. Introducing automated invoice tracking systems, enforcing stricter credit terms, and maintaining closer relationships with high-volume clients can expedite collections. On the inventory front, adopting just-in-time (JIT) principles and integrating real-time inventory tracking systems can prevent overstocking and reduce storage costs.

Additionally, investment in digital infrastructure should be scaled up. Deploying data analytics tools for forecasting, financial planning, and risk analysis can vastly improve decision-making accuracy. Artificial Intelligence (AI) and Machine Learning (ML) algorithms can be used to predict customer buying patterns, optimize inventory placement, and flag potential cash flow bottlenecks in advance.

The company should also consider implementing financial KPIs (Key Performance Indicators) across departments to monitor profitability, asset utilization, and cost performance regularly. These metrics will provide early warning signs and help track progress toward strategic goals. Internal teams should be trained to understand and act upon these indicators.

Furthermore, it is recommended that Ingram Micro build a financial buffer or contingency reserve, especially in light of recent revenue contraction. This fund can be used during periods of reduced cash flow or unexpected disruptions, ensuring continuity without increasing debt burden.

Lastly, regular benchmarking against industry leaders should be institutionalized to ensure competitiveness. This includes not only financial benchmarking but also reviewing practices in supply chain agility, digital readiness, and ESG (Environmental, Social, Governance) compliance—factors that increasingly influence investor and customer trust.

### VIII. CONCLUSION

The financial health of Ingram Micro Pvt. Ltd. (India) indicates resilience in managing assets and inventories, but profitability and leverage remain areas of concern. The decline in net margins, high debt, and falling revenue in FY23–24 call for a strategic overhaul. By adopting cost optimization, revenue diversification, and prudent capital management, the company can strengthen its financial foundation and return to sustained growth.

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