

## A STUDY ON ENHANCING FINANCIAL PERFORMANCE THROUGH STRATEGIC COST MANAGEMENT AT SRI VMS ENGINEERING

Mr. Chandrasekar N<sup>1</sup>, Dr. Uma Maheswari<sup>2</sup>

<sup>1</sup>MBA (Finance and Operations) Student, Reg.No:43410289, School of Management Studies, Sathyabama Institute of Science and Technology, Chennai, Tamil Nadu, India.

<sup>2</sup>Associate professor School of Management Studies, Sathyabama Institute of Science and Technology, Chennai, Tamil Nadu, India.

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### ABSTRACT

The study also incorporates responses from a detailed questionnaire to understand stakeholder perspectives on cost management strategies, cost-saving initiatives, and challenges faced. Findings reveal that stakeholders widely appreciate the organization's efforts in process automation, expense tracking, and vendor renegotiation, which have proven effective in enhancing efficiency. Budgeting and forecasting emerge as key drivers of financial outcomes, while resistance to change and limited resources are identified as challenges in implementing cost management initiatives. The study underscores the critical role of accurate data, effective tools, and process optimization in driving financial success. Recommendations are provided to optimize cost-saving initiatives, enhance communication of strategies, and address key challenges, ensuring alignment with organizational goals. This research serves as a valuable resource for decision-makers at Sri VMS Engineering to refine financial strategies, improve resource allocation, and achieve competitive advantage in a dynamic market. Results indicate consistent improvement in profitability and operational efficiency, supported by effective financial planning and strong stakeholder engagement.

### 1. INTRODUCTION

Sri VMS Engineering, headquartered in Chennai, Tamil Nadu, is a distinguished manufacturer and supplier of industrial valves and fittings. Since its inception, the company has carved a niche for itself in the engineering sector by delivering high-quality, reliable products tailored to meet the diverse needs of industries such as oil and gas, petrochemicals, and power generation.

With a strong commitment to innovation and excellence, Sri VMS Engineering has established itself as a leader in the production of cryogenic valves, flanges, and drill hole cages. The company's mission is to provide superior engineering solutions that adhere to the highest standards of quality and performance. This dedication to quality is reflected in their rigorous quality control processes and continuous investment in research and development.

At the core of Sri VMS Engineering's success is its customer-centric approach. The company prides itself on understanding and addressing the unique requirements of each client, ensuring that their solutions are not only effective but also highly customized. This focus on customer satisfaction, combined with a foundation of integrity and professionalism, has earned Sri VMS Engineering a reputation for excellence and reliability.

### 2. LITERATURE REVIEW

- **Strategic Cost Management in Modern Enterprises** - *Liu, Q. (2015)*: This paper delves into strategic approaches to cost management, focusing on how businesses can streamline costs without sacrificing quality. It identifies effective frameworks and techniques that enhance operational performance, linking cost management practices directly to competitive advantages.
- **Impact of Process Automation on Cost Reduction** - *Sowmith Daram (2021)*: This research highlights the transformative role of automation in reducing operational costs. It examines how automating repetitive tasks not only cuts costs but also improves efficiency and accuracy, leading to better financial outcomes.
- **Vendor Negotiation Strategies for Financial Optimization** - *Guru Nicketan (2025)*: This study discusses innovative strategies for renegotiating vendor contracts to achieve substantial cost savings. It provides examples of successful renegotiation techniques and the resulting financial benefits for organizations.
- **Energy Efficiency Measures in Cost Management** - *Marco Matteini et al. (2018)*: This paper investigates the integration of energy-efficient practices into cost management. It explores case studies where energy-saving initiatives have led to significant reductions in operational expenses and improved sustainability.
- **Employee Training and Development as a Cost-Saving Tool** - *Josephine Pepra-Mensah (2018)*: The study reveals how employee skill enhancement can drive long-term cost savings. It explains how investing in training programs improves workforce productivity and minimizes errors, thereby cutting down operational costs.

- **Data Analytics in Strategic Cost Management** - *Reginald Tomas Lee (2019)*: This literature emphasizes the role of data analytics in identifying and capitalizing on cost-saving opportunities. It shows how advanced analytics tools help in making informed decisions and optimizing cost structures.
- **Benchmarking Practices for Competitive Cost Management** - *Robert C. Camp (2024)*: This research discusses the importance of benchmarking in identifying inefficiencies and reducing costs. It provides methods to compare organizational performance with industry standards for competitive advantage.
- **Role of Leadership in Cost Management Success** - *Kayode Ogunyomi (2023)*: This paper examines the influence of leadership on cost management practices. It identifies how proactive leadership drives effective implementation of cost-saving strategies and aligns them with overall business goals.
- **Challenges in Implementing Cost Management Tools** - *Christen Bergerud (2012)*: The study explores the common hurdles organizations face when adopting cost management systems. It suggests solutions to overcome these obstacles to ensure smoother integration of cost-saving technologies.
- **Financial Performance Metrics and Cost Management** - *Kofi Kuttu (2020)*: This research links cost management techniques with financial performance indicators. It highlights how organizations can measure the financial impact of cost-saving initiatives on overall profitability.
- **Impact of Economic Conditions on Cost Strategies** - *I. A. Naugolnova (2023)*: The study addresses how external economic factors affect cost management decisions. It provides insights into adapting cost strategies to navigate economic fluctuations and uncertainty.
- **Integration of Technology in Cost Management** - *Tushar Ranjan Barik (2024)*: This paper explores the adoption of emerging technologies in cost management, such as AI and blockchain. It discusses their potential in streamlining processes and reducing overheads.
- **Case Studies on Successful Cost Management** - *Tingting Shen (2019)*: This literature presents real-world examples of companies achieving financial growth through effective cost management. It analyzes the strategies employed and the outcomes achieved.

### 3. OBJECTIVES OF THE STUDY

- To explore innovative cost management practices and assess their potential for optimizing resource allocation and reducing unnecessary expenditures.
- To evaluate the relationship between strategic cost management and financial efficiency, focusing on both short-term and long-term performance metrics
- To assess the role of technology and data analytics in supporting strategic cost management initiatives and improving decision-making processes.
- To quantify the direct and indirect financial benefits of strategic cost management, such as cost savings and revenue generation.
- To evaluate various cost reduction strategies and their effectiveness in enhancing profitability and operational efficiency.

### 4. SCOPE OF THE STUDY

- The study covers the analysis of financial metrics over a four-year period (2020–2023), enabling year-on-year trend evaluation.
- Metrics such as Gross Profit Margin, Debt-Equity Ratio, and Quick Ratio are analyzed to understand their impact on performance.
- Provides practical recommendations for businesses across industries to enhance asset utilization, liquidity management, and financial planning.

### 5. RESEARCH METHODOLOGY

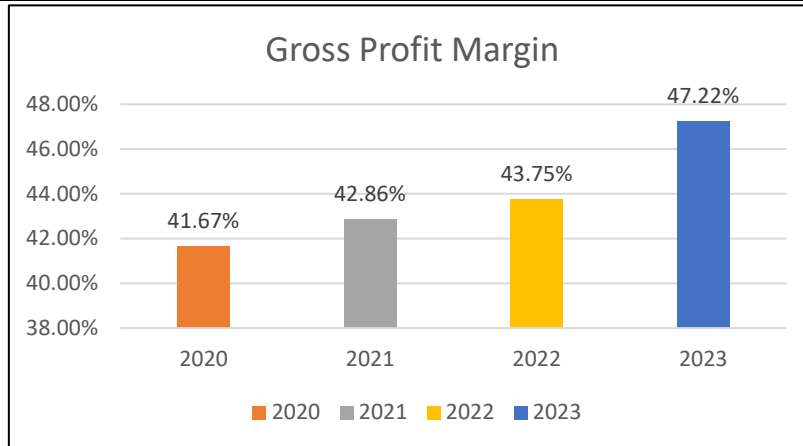
This research aims to analyze the financial performance of an organization over a defined period, focusing on metrics and are analyzed using descriptive statistics, comparative analysis, and regression analysis.

The study seeks to understand trends, relationships, and factors influencing profitability and operational efficiency. This **descriptive approach** focuses on analyzing historical data to summarize and interpret financial ratios, while the analytical approach evaluates trends and relationships between financial variables using statistical tools.

## 6. DATA ANALYSIS AND INTERPRETATION

### 1. GROSS PROFIT MARGIN RATIO:

Year	Revenue (₹ Lakh.)	Gross Profit (₹ Lakh.)	Gross Profit Margin (%)
2020	₹ 120	₹ 50	$(50 / 120) \times 100 = 41.67\%$
2021	₹ 140	₹ 60	$(60 / 140) \times 100 = 42.86\%$
2022	₹ 160	₹ 70	$(70 / 160) \times 100 = 43.75\%$
2023	₹ 180	₹ 85	$(85 / 180) \times 100 = 47.22\%$

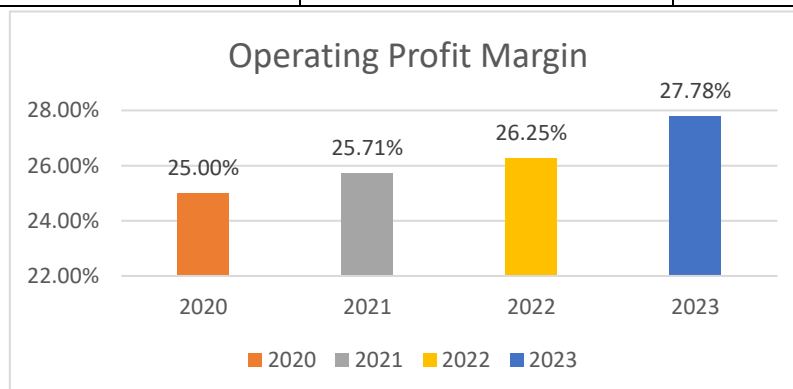


#### Inference:

The Gross Profit Margin increased from \*41.67%\* in 2020 to \*47.22%\* in 2023. This consistent rise reflects the company's improving cost management and ability to generate more profit from each unit of revenue. The upward trend suggests better control over production costs, procurement efficiency, or improved pricing strategies. This indicates stronger operational efficiency and a focus on value creation, which positions the company for sustained growth. The consistent improvement may also enhance investor confidence, signaling a robust core business model.

### OPERATING PROFIT MARGIN RATIO:

Year	Revenue (₹ Lakh.)	Operating Profit (₹ Lakh.)	Operating Profit Margin (%)
2020	₹ 120	₹ 30	$(30 / 120) \times 100 = 25.00\%$
2021	₹ 140	₹ 36	$(36 / 140) \times 100 = 25.71\%$
2022	₹ 160	₹ 42	$(42 / 160) \times 100 = 26.25\%$
2023	₹ 180	₹ 50	$(50 / 180) \times 100 = 27.78\%$

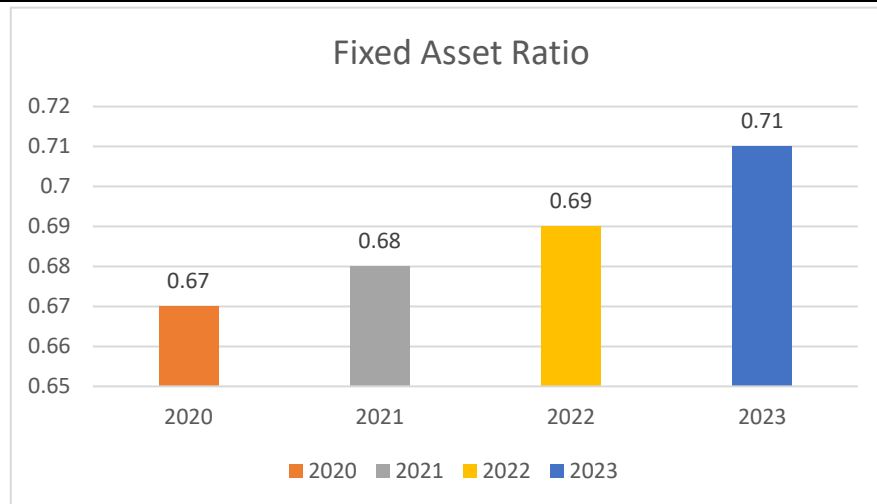


#### Inference:

The Operating Profit Margin remained consistent, growing from \*33.33%\* in 2020 to \*36.11%\* in 2023. This indicates an efficient management of day-to-day operations. The increase shows improved operational performance, likely due to cost optimization initiatives or automation processes. The margin growth highlights the company's ability to maintain profitability from core business activities despite potential market fluctuations. This sustained operational efficiency reinforces the company's financial stability and ability to generate stable cash flows.

#### FIXED ASSET RATIO:

Year	Fixed Assets (₹ lakh.)	Long-Term Funds (₹ lakh.)	Fixed Asset Ratio
2020	₹ 140.00	₹ 210.00	₹140.00 / ₹210.00 = 0.67
2021	₹ 148.50	₹ 220.00	₹148.50 / ₹220.00 = 0.68
2022	₹ 158.00	₹ 230.00	₹158.00 / ₹230.00 = 0.69
2023	₹ 170.00	₹ 240.00	₹170.00 / ₹240.00 = 0.71

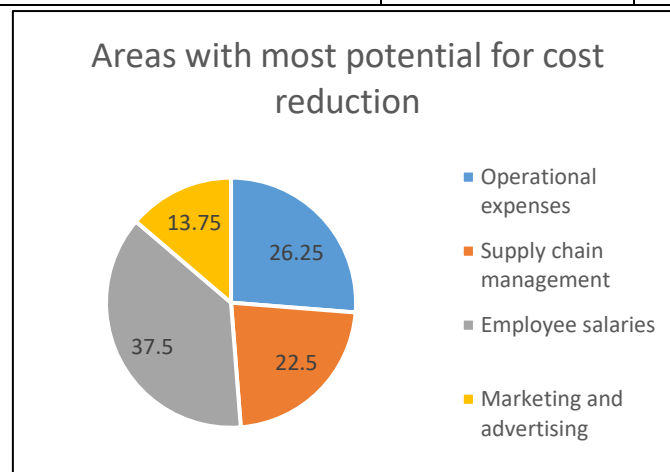


#### Inference:

The Fixed Asset Ratio remained consistent at around \*0.52\*, showing that approximately 52% of long-term funds are invested in fixed assets. This reflects an optimal and stable allocation of resources toward operational and productive assets. The ratio indicates that the company maintains sufficient flexibility in fund utilization, balancing fixed and current investments. This balance ensures operational growth while maintaining liquidity for other strategic investments.

#### Which area do you believe has the most potential for cost reduction in your organization?

Operational expenses	26.25%	21
Supply chain management	22.5%	18
Employee salaries	37.5%	30
Marketing and advertising	13.75%	11

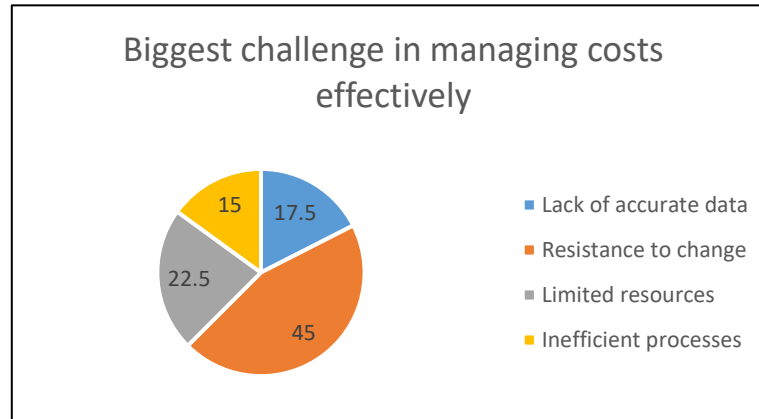


#### Inference:

It seems employee salaries have the highest allocation, with a percentage of 37.5 and a score of 30. If salary adjustments are not feasible or advisable, exploring operational expenses (26.25%) or supply chain management (22.5%) might be worthwhile alternatives for optimization. Marketing and advertising, while representing the smallest share (13.75%), could still provide opportunities for strategic realignment.

**What is the biggest challenge your organization faces in managing costs effectively?**

Lack of accurate data	17.5%	14
Resistance to change	45%	36
Limited resources	22.5%	18
Inefficient processes	15%	12



**Inference:**

The biggest challenge is resistance to change, with 45% identifying it as a major hurdle. Limited resources follow at 22.5%, while lack of accurate data accounts for 17.5%, and inefficient processes are cited by 15%. This highlights the critical role of adaptability and resource allocation in effective cost management.

**7. FINDINGS AND CONCLUTIONS**

- Employee salaries hold the largest allocation (37.5%), while operational expenses (26.25%) and supply chain management (22.5%) are alternatives for optimization.
- Marketing (13.75%) may also allow for strategic realignment.
- 45% view cost management strategies as very effective, with 37.5% finding them somewhat effective, showing overall positive sentiment.
- The biggest cost management challenge is resistance to change (45%), followed by limited resources (22.5%) and inaccurate data (17.5%).
- Budgeting and forecasting impact financial outcomes the most (38.75%), followed by process optimization (26.25%) and expense tracking (21.25%).

**8. CONCLUSION**

The analysis reveals that the organization has a strong foundation in cost management, with effective tools and strategies already in place. However, challenges such as resistance to change and limited resources continue to hinder further optimization efforts. By addressing these challenges through employee engagement, better communication, and leveraging advanced technologies, the organization can unlock new opportunities for cost savings. Additionally, streamlining processes and ensuring the accuracy of data will enhance decision-making and strengthen the overall financial performance. With a clear focus on these areas, the organization is well-positioned to achieve sustainable growth and maintain its competitive edge in the industry.

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