

A Study on Ratio Analysis

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ABSTRACT

Ratio analysis is a powerful tool of financial analysis. In ratio analysis, a ratio is used as a bench marking for evaluating the financial position and performance of the firm. Ratio helps to summarize large quantities of financial data and make quantitative judgment about the firm financial performance.

The ratio analysis involves the comparison for a useful interpretation of the financial statements. The techniques of ratio analysis can be employed for measuring short term liquidity or the working capital position of a firm. The following ratios may be calculated for this purpose.

A ratio is the relationship between two or more things. It indicates quotient of two mathematical expressions. It is calculated by dividing one onto the other. Ratios may also be expressed as percentages, by multiplying the quotient with 100.

A ratio is used as a benchmark for evaluating the financial position and performance of different firms. It is also used to compare one firm with other in all the performance and can improvements in decision making, forecasting, managerial control, facilitating investment decisions, and also useful in measuring financial solvency of a firm.

KEYWORDS: RATIO ANALYSIS MAKES THE FINANCIAL POSITION ANALYSIS EASY

INTRODUCTION

Ratio Analysis is one of the methods of analysis of financial statements. Ratio Analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency and profitability by comparing information contained in its financial statements.

Ratios selected for study

1. CURRENT RATIO
2. QUICK RATIO
3. WORKING CAPITAL TURNOVER RATIO
4. PROPRIETARY RATIO

Need of the study:

Ratio analysis helps to summarize the financial data and to make qualitative judgement about the financial position and performance of Ultratech Cement Ltd.

Scope of the study:

The study on Ratio Analysis is confined to only Ultratech Cement Ltd, Tadipatri.

The study covers 5 years of data from 2014-15 to 2018-19.

- To know the financial position of the Ultratech Cement Ltd.
- To study the profitability position of the Ultratech Cement Ltd
- To analyse the operational efficiency of the Ultratech Cement Ltd.

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Research methodology:

The study is based on the both primary data and secondary data.

Primary data:

It is collected through interacting with the officers of Finance &Accounts Department, Purchasing Department and HR Department.

Secondary data:

It is collected from the annual reports of the company and company website.

Website:

www.ultratechcement.com

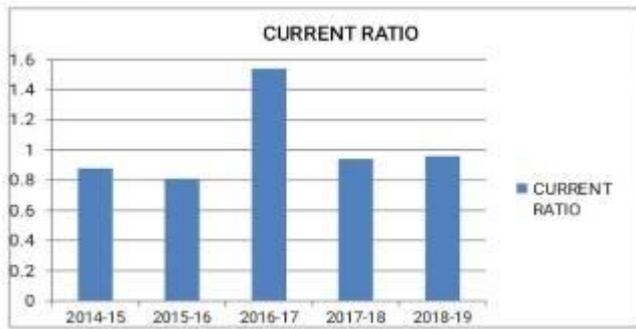
Limitations of the study;

The study is limited to Ultratech Cement Ltd, Tadipatri only.

The study is undertaken for the time period of 5 years from 2014-15 to 2018-19

Current ratio:

Year	Current assets	Current liabilities	Current ratio
2014-15	7804.27	8786.81	0.88
2015-16	9191.00	11209.03	0.81
2016-17	12475.05	8085.40	1.54
2017-18	10585.61	11255.95	0.94
2018-19	11478.72	11863.25	0.96

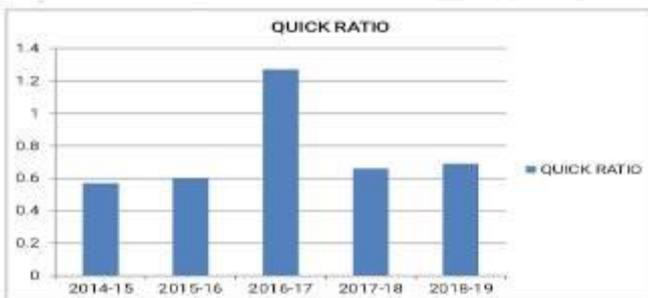


Interpretation:

From the above graph shows, the current ratios are 0.88, 0.81, 1.54, 0.94, and 0.96. During the year 2016-17, the current ratio is high. The changes in the current ratio is due to the changes in the inventory and trade receivables over the years. The standard ratio is 2:1.

Quick Ratio:

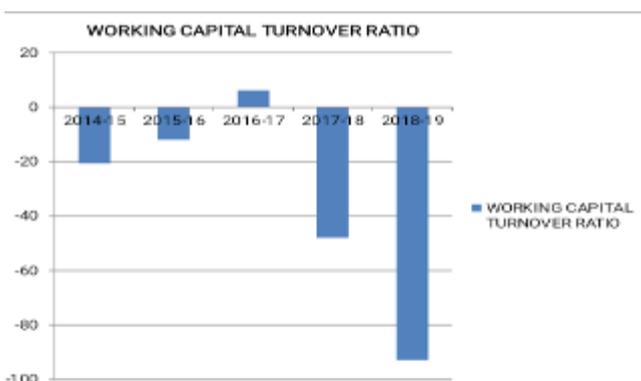
Years	Quick assets	Current liabilities	Quick ratio
2014-15	5052.86	8786.81	0.57
2015-16	6764.91	11209.03	0.60
2016-17	10250.06	8058.40	1.27
2017-18	7484.11	11.225.95	0.66
2018-19	8205.1	11.863.25	0.99



Interpretation: From the above graph, the quick ratios are 0.57,0.60,1.27,0.66,0.69. The changes in the quick ratio is due to the changes in the loans and advances. Its standard ratio is 1:1.

Working capital turnover ratio

Year	Net sales	Working capital	Working capital turnover ratio
2014-15	20279.80	-982.54	-20.6402
2015-16	24107.36	-2018.03	-11.946
2016-17	27102.42	4416.65	6.150005
2017-18	30683.93	-640.34	-47.9182
2018-19	35703.50	-384.53	-92.8297

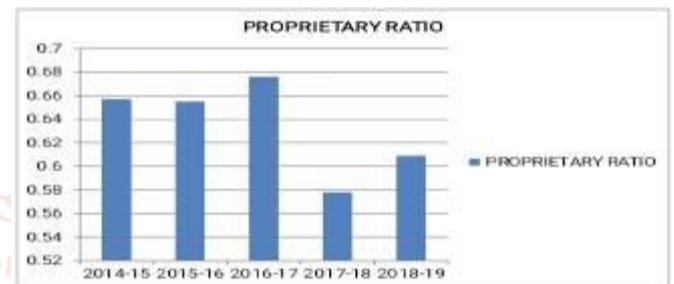


Interpretation:

From the above table the working capital turnover ratio in the year 2014-15 is -20.6402 and 2015-16 is -11.946. But in the year 2016-17 is 6.15. In the years 2017-18, 2018-19 it is -47.9182 and -92.8497. By this the working capital turnover ratio is not satisfactory.

PROPRIETARY RATIO:

Years	Total tangible assets (in crore)	Shareholders fund	Debt equity turnover ratio
2014-15	28682.93	18857.68	0.657
2015-16	31625.71	20736.09	0.655
2016-17	35373.28	23941.01	0.676
2017-18	44804.59	25923.02	0.578
2018-19	45844.39	27947.72	0.609



Interpretation:

The above graph shows that the proprietary ratio is constant in the years 2014-15 and 2015-16. It increased in the year 2016-17. It decreased in the year 2017-18 to 0.578 and it increased in the year 2018-19.

Findings:

The current ratio of the company is decreasing due to the changes in the working capital.

The changes in the quick ratio is due to the changes in the loans and advances.

The absolute liquid ratio of the company is satisfactory. The proprietary ratio of the company is increasing due to the asset management

Suggestions:

The current ratio of the company is not ideal. So it has to improve its short term financial position.

Debtors turnover ratio of the company is increasing. So it should have proper control on credit sales.

The debt position of the company is increasing. So it is a burden to the company.

Conclusion:

The financial, profitability and operational efficiency position of the ULTRATECH CEMENT LTD is good. It can be concluded that it can improve its financial position through its management policies.

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