

## A Study on Ratio Analysis at Amara Raja Batteries Pvt Ltd. Tirupathi

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### ABSTRACT

To outset any business it is very important to have finance and success of the business entirely depends upon the proper management and applications of finance. It is essential to uphold a prevalence between two activities which can be done with the help of calculating different types of ratios like current ratios, quick ratios and debt coverage ratios etc. Every manufacturing sector requires competent use of inventory and tools to expand its products. This study explains that ratio analysis will help the management in estimate the future performance of the company. The scope of writing this research paper is to spread the logical usage of ratio analysis for analysis the financial performance of Asian Paints Ltd. In order to check the usefulness of operations and to resolve how well the manufacturing process is going to take place and use of ratio analysis to gauge its business transactions.

**KEYWORDS:** LIQUIDLITY LEVERAGE, PROFITABILITY

### INTRODUCTION

Ratio analysis is a quantitative method of gaining insight into a company liquidity, operational efficiency and profitability by comparing information containing in its financial statements. It's a techniques of analyzing the financial statement of industrial concerns. Now a days this techniques is commonly used in business concerns ratio analysis is one the most powerful tools interpreting the health of the firm. Ratios are proved as the basic instrument in the control process and act as a back bone in schemes of the business. Ratios are proved as the basic instrument in the control process and act as a back bone in schemes of the business for cast. The ratio analysis is the most powerful tool of financial analysis. Several ratios calculated from the accounting data can be grouped into various classes according to financial activity or function to be evaluated.

### DEFINITION

The indicate quotient of two mathematical expressions "and as "The relationship between two or

more things. "It evaluates the financial position and performance of the firm.

As started in the beginning many diverse groups of people are interested in analyzing financial information to indicate the operating and financial efficiency and growth of firm. These people use ratios to determine those financial characteristics of firm in which they interested with the help of ratios one can determine.

### NEED OF THE STUDY

- The study has great significance and provides benefits to various parties whom directly or indirectly with the company.
- To express the relationship between different financial aspects in such a way that it allows the user to draw conclusion about the performance, strength and weaknesses of the company.
- To study helps to know a liquidity, solvency, profitability and turnover position of the company.

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**OBJECTIVES OF STUDY**

- To study and analyze the financial position of the company through ratio analysis
- To analysis the profitability position of the company.
- To determine the long term solvency position of the company

**SCOPE OF THE STUDY**

- The study on ratio analysis of financial statement that present information about Amara raja batteries ltd.
- The study covers in ratio analysis of the Amara raja batteries ltd, for the period of 5 years.

**RESEARCH METHDOLOGY**

**SECONDAERY DATA**

- The data was based on secondary data

**HYPOTHESIS**

H10: There is no Significant difference between performance of ratio analysis

H11: There is significant difference between performance in ratio analysis

**TOOLS AND TECHINIQUES**

- liquidity ratio
- Activity ratio
- Leverage ratio
- Profitability ratio

**LIMITATION OF THE STUDY**

- The study is restricted for a period of five years
- The study is limited for a Amara raja batteries pvt ltd. Tirupathi

**DATA ANALYSIS AND INTERPRETATON**

**1. CURRENT RATIO:**

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITES}}$$

particular	2015-16	2016-17	2017-18	2018-19	2019-20
current assets	1,593,241,430	1,612,642,497	2,280,704,176	3,500,193,294	5,975,961,025
current liabilities	6,35,941,300	638,958,266	1,181,003,846	1,312,272,610	2,020,744,952
current ratio	2.5	2.52	1.93	2.67	2.96

**TABLE 1**



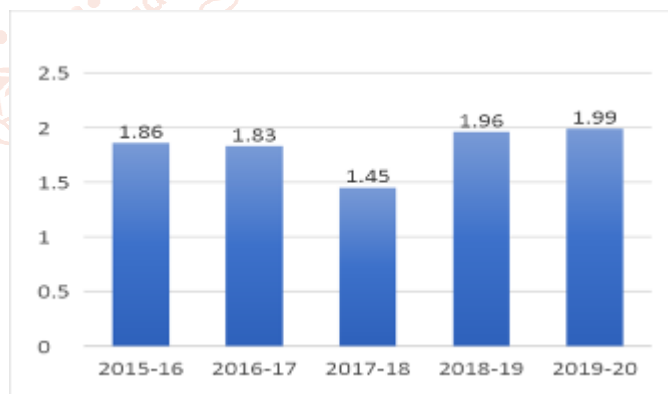
**Fig:1**

**INTERPRETATION:** The standard form of a current ratio is 2:1. during the year 2015 the current ratio is 2.5 and during the year 2016-17 the ratio is 2.52 and it has decreased to 1.93 during the year 2017-18 and increased to 2.67 in 2018-19 and it is increased to 2.67 in the year 2019-20 it has increased to 2.96 in the 2020. the ratio above was standard except In the year 2017.so the ratio was satisfactory.

**2. QUICK RATIO**

$$\text{QUICK RATIO} = \frac{\text{QUICK ASSETS}}{\text{CURRENT LIABILITES}}$$

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
quick assets	1,171,600,450	1,171,683,584	1,708,741,955	2,578,479,879	4,032,625,321
current liabilities	628,525,100	638,958,266	1,181,003,846	1,312,272,610	2,020,744,952
Quick ratio	1.86	1.83	1.45	1.96	1.99



**Fig:2**

**INTERPRETATION**

The standard form of a quick ratio is 1:1. quick ratio is decreased in the year 2016 to 1.83 from 2.45. then, it decreased to 1.45 in the year 2017. and it has increased to 1.96 in the year 2018 and then it increased to 1.99 in the year 2019-20. however the ratio is more than the standard norms so it is satisfactory

**LEVERAGE RATIO**

**3. DEBT RATIO:**

DEBT RATIO = TOTAL DEBIT/ TOTAL DEBT+NET WORTH

particular	2015-16	2016-17	2017-18	2018-19	2019-20
TOTAL debt	232,111,700	233,058,880	378,672,427	1,407,083,880	3,162,620,560
Total debt + net worth	2035900500	2039907551	2,391,525,347	3,843,741,557	3,493,635,030
Total debt ratio	0.11	0.11	0.16	0.37	0.10

**TABLE 3**



**Fig:3**

**INTERPRETATION**

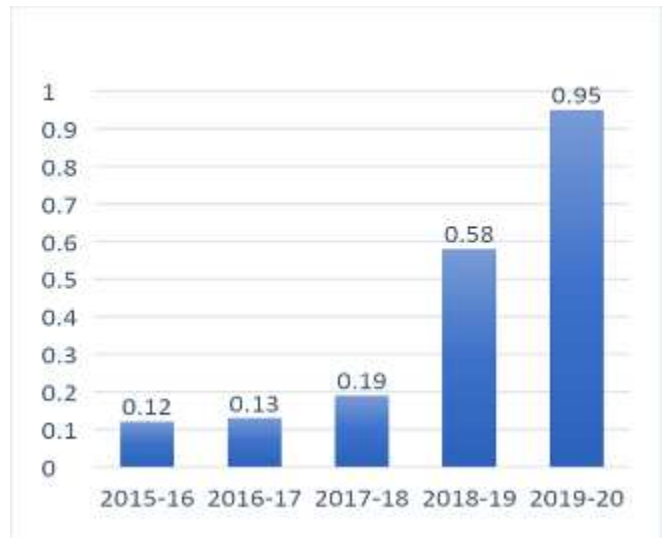
The ratio gives results relating to the capital structure of a firm. Debt ratio is 0.08 in the year 2016 it increased to 0.11 & 0.16 in the corresponding years 2017 & 2018. again it is increased to 0.37 & 1.10 in the year 2019 & 2020. from the above of fluctuating trend we can concluded that the company's dependence on debt is increasing. It is not better position in collection of debt.

**4. DEBT EQUITY RATIO**

DEBT EUIY RATIO= LONGTERM/ EQUITY CAPITAL

particular	2015-16	2016-17	2017-18	2018-19	2019-20
long term debit	232,100,550	233,058,880	378,672,427	1,407,083,880	3,162,620,560
equity capital	1,804,550,420	1,806,848,650	2,012,852,920	2,436,657,677	3,331,014,470
debt equity ratio	0.12	0.13	0.19	0.58	0.95

**TABLE: 4**



**Fig: 4**

INTERPRETATION: The ratio gives results relating to the capital structure of a firm. Debit equity ratio is 0.09 in the year 2016 and it increased to 0.13 and 0.19 in the year 2017 & 2018 in the year 2019 & 2020 the ratio has increased to 0.58 and 0.95. we can conclude that the company depends on the debt fund is increasing.

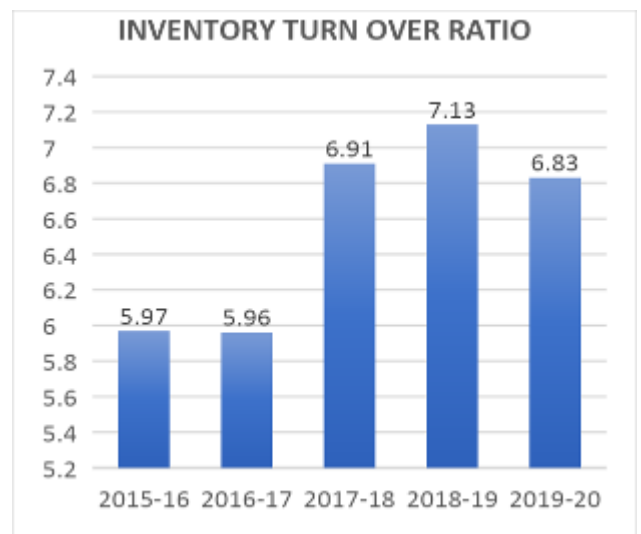
**ACTIVITY RATIO:**

**5. INVENTORY TURNOVER RATIO**

INVENTORY TURNOVER RATIO = COST OF GOODS SOLD/ AVERAGE INVENTORY

particular	2015-16	2016-17	2017-118	2018-19	2019-20
COST OF GOODS SOLD	2,218,490,920	2,228,549,828	3,499,805,230	5,324,665,192	9,782,463,974
AVERAGE INVENTORY	371,098,120	374,102,223	506,460,567	746,837,818	1,432,524,549
INVENTORY TURN OVER RATIO	5.97	5.96	6.91	7.13	6.83

**TABLE: 5**



**Fig: 5**

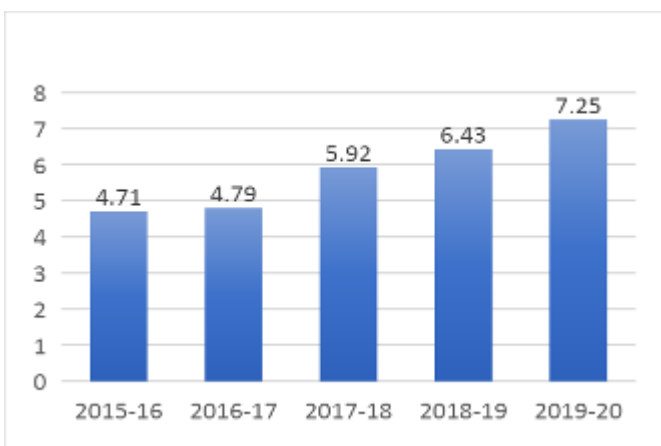
INTERPRETATION: Inventory turnover ratio is 5.97 times in the year 2015. but, it is increased to 5.96 in the year 2016. then, it is increased to 6.91 in the year 2017 and again increased to 7.13 in the year 2018. But, it is decrease to 6.83 in the year 2019-20. inventory turnover ratio increased for year that is company production is also increased. Subsequently sales also increased.

**6. DEBTORS TURNOVER RATIO**

**DEBTORS TURNOVER RATIO= SALES/ AVERAGE DEBTORS**

particular	2015-16	2016-17	2017-18	2018-19	2019-20
sales	2,596,350,100	2,685,436,096	4,458,295,779	7,451,032,928	13,499,867,499
average debtors	550,720,552	560,689,881	753,113,338	1,158,030,767	1,862,113,498
debtors turn over ratio	4.71	4.79	5.92	6.43	7.25

**TABLE: 6**



**Fig: 6**

**INTERPRETATION**

debtors turnover ratio is 4.71 times in the 2016 and it is increased to 4.79 times in the year 2017 and increased to 5.92 times the year 2018 and it increased to 6.43 times and 7.25 times in the years 2019-20.

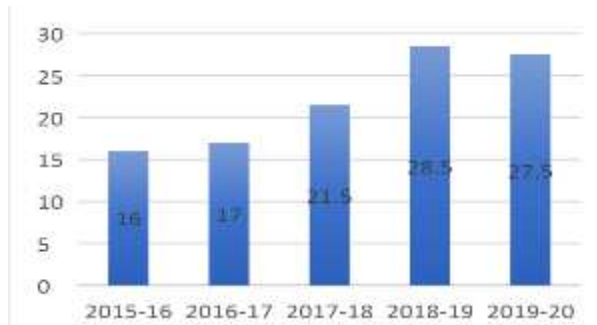
➤ **PROFITABILITY**

**GROSS PROFIT RATIO:**

**GROSS PROFIT RATIO= GROSS PROFIT/ NET SALES ×100**

particular	2015-16	2016-17	2017-18	2018-19	2019-20
gross profit	453,720,910	456,889,268	958,490,549	2,126,367,806	3,717,403,516
net sales	2,751,456,125	2,685,436,096	4,458,295,779	7,451,032,998	13,499,867,499
gross profit ratio	16	17	21.5	28.5	27.5

**TABLE: 7**



**Fig: 7**

**FINDINGS:**

- Expected in the year 2018, the company is maintaining current ratio has two and more, standard which indicate the ability of the firm to meet its current obligations is more. Its shows that the company is strong in working funds management.
- The company is maintain of quick assets more than the quick ratio. As the company having high value of quick ratio. Quick assets wood meet all its quick liabilities without any difficulty.
- Debt equity ratio is increasing every year it indicates the company depends on the debt fund increasing.
- In the year 2016, the interest coverage ratio 7.56 which increased to 94.76 in the year 2019 and high fluctuations in the followed years. In these position, outside investors are interested to invest their money in this company.
- The net profit of the company is increasing over the study period. Hence the organisation maintain good control on the expenses.

**SUGGESTIONS**

- The has to increase the profit maximization and has to decreased the operating expenses.
- By considering the profit maximization in the company the earing per share, investment and working capital also increased. Hence, the consider are also interested to invest.
- The company should maintain sufficient cash and bank balance; they should invest the cash in marketable securities or short term investments in share, debentures, bonds and other securities.
- The company must reduce its debtors collection period from 83 and 84 days be adopting credit policy by providing discounts to the debtors.

**CONCLUSION**

Form the above analysis of the company’s financial statement its concluded that the company’s financial position is good because the company’s leverage, activity and profitability are good and the company have to increase its liquidity position for better performance in future.