

# A Study on Ratio Analysis in Anantha PVC Pipes Pvt Ltd., at Hampapuramu (V), Anantapur

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## ABSTRACT

This project “A STUDY ON RATIO ANALYSIS IN ANANTHA PVC PIPES PVT LTD., AT HAMPAPURAMU (V), ANANTAPUR”, aims to analyze the liquidity and financial position of the company using the financial tools. The need of the study is to express the relationship between different financial aspects in a such way that allows the user to draw conclusions about the performance, strengths and weakness of the Anantha PVC Pvt Ltd. In this study, we calculated various ratios to assess the performance of ANANTHA PVC PIPES PVT LTD using the technique ratio analysis. Data is collected from secondary source where financial statements and balance sheets for the years (2017-2022) Also, this study enables to find out whether the company is maintaining a minimum amount of working capital to meet the current expenses, also whether the company is generating adequate profits which represents the growth of the company which can be ascertained through the profitability ratios of the company. This ratio analysis often helps and strengthens the company's performance and helps to overcome difficulties to survive in the market for a long period.

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## INTRODUCTION

Ratio analysis is a quantitative procedure of obtaining a look into a firm's functional efficiency, liquidity, revenues, and profitability by analysing its financial records and statements. Ratio analysis is a very important factor that will help in doing an analysis of the fundamentals of equity. Analysts and investors make use of the methods for ratio analysis to study and evaluate the fiscal wellbeing of businesses by closely examining the historical performance and monetary statements. Comparative data and analysis can give an insight into the performance of the business over a given period of time by comparing it with the industry standards. At the same time, it also measures how well a business racks up against other businesses functioning in the same sector.

## MEANING OF RATIO ANALYSIS

Ratio analysis is the comparison of line items in the financial statements of a business. Ratio analysis is used to evaluate a number of issues within an entity, such as its liquidity, efficiency of operations, and profitability.

This type of analysis is particularly useful to analysts outside of a business, since their primary source of information about an organization is its financial statements. Ratio analysis is less useful to corporate insiders, who have better access to more detailed operational information about the organization.

## INDUSTRY PROFILE

Plastic have become synonymous with modern living. It is undoubtedly a product, which has penetrated extensively into the common man's life. No wonder the industry has achieved in terms of supply of raw material expansion and diversification of processing capabilities and manufacturing of processing machinery and equipment.

This versatile material with its superior qualities such as light weight, easy process ability corrosion resistance, energy conservation, no toxicity etc. many substitute to a large extent many conventional and costly industrial materials like wood, metal, glass, jute, lather etc., in the future. The manifold

applications of plastics in the field of automobiles, electronics, electrical, packaging and agriculture give enough evidence of the immense utility of plastics.

**SCOPE OF THE STUDY**

This Study on Ratio Analysis is confined to only Anantha pvc pipes pvt limited.

The study is based on 5 years data from 2017-18 to 2021-22.

**OBJECTIVES OF THE STUDY**

1. To study the Liquidity position of the Anantha pvc pipes pvt Ltd.
2. To study the long term solvency position of Anantha pvc pipes pvt Ltd.
3. To determine the Profitability position of Anantha pvc pipes pvt Ltd.
4. To improve the overall efficiency of the Anantha pvc pipes pvt Ltd.

**RESEARCH METHODOLOGY**

Methodology of the study:

- The analysis is done using secondary data i.e., from annual reports of the company, journals, articles etc.

➤ Website: <https://www.ananthapvcpipes.com>

**TOOLS AND TECHNIQUES**

- Liquidity Ratios
- Profitability Ratios
- Leverage Ratios
- Activity Ratios
- Bar charts
- Softwares Used
- MS-Excel

**LIMITATIONS OF THE STUDY**

- The study is limited to 5 years data, i.e., from 2017-18 to 2021-22 of Anantha pvc pipes pvt Ltd.

**DATA ANALYSIS AND INTERPRETATION**

**1. LIQUIDITY RATIOS**

- Current ratio
- Quick ratio
- Cash Ratio

**CURRENT RATIO**

- The current ratio is the ratio of the total current assets to total current liabilities. It is calculated as
- Current ratio = Current Assets/Current Liabilities

**Table no: 1**

Year	Current Assets	Current Liabilities	Current Ratio
2017-18	35,001,932	13,122,726	2.67
2018-19	59,759,610	20,207,449	2.95
2019-20	52,599,008	18,430,917	2.85
2020-21	63,106,281	31,908,564	1.9
2021-22	74,186,704	34,910,413	2.12

**CHART 1: CURRENT RATIO**



**INTERPRETATION:**

Current ratio is useful to measure the firm’s short-term solvency. The standard norm of the current ratio is 2:1. During the period 2017-22 the Current Ratio of the company is 2.67, 2.95, 2.85, 1.97 and 2.12. In the year 2021-22 the Current ratio is Increased from 1.9 to 2.12. It shows the better performance of the company in the year 2019-20 than 2020-2021

**QUICK RATIO**

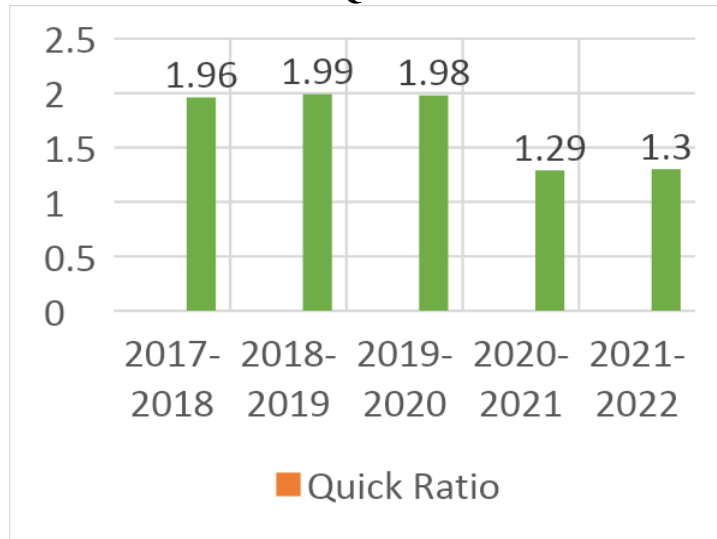
Quick Assets

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

**Table 2**

Year	Quick Assets	Current Liabilities	Quick Ratio
2017-18	25,784,798	13,122,726	1.96
2018-19	40,326,253	20,207,449	1.99
2019-20	36,516,321	18,430,917	1.98
2020-21	41,349,046	31,908,564	1.29
2021-22	45,717,041	34,910,413	1.30

**CHART 2: QUICK RATIO**



**INTERPRETATION:**

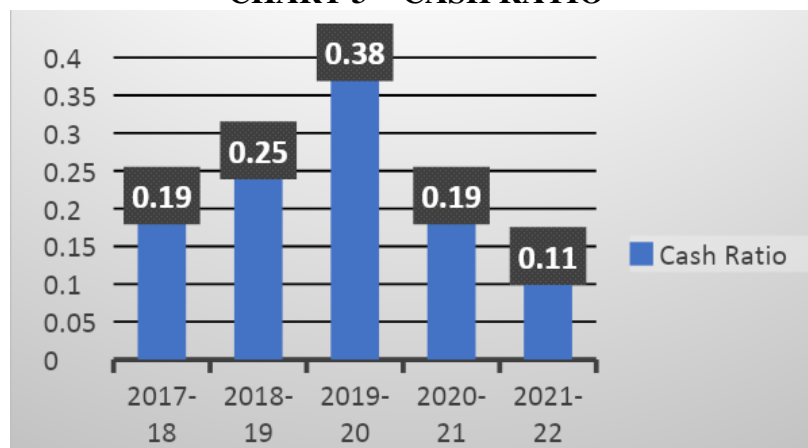
The Quick ratio is more penetrating test of liquidity than the current ratio. The standard norm of the quick ratio is 1:1. During the period 2017-22, the Quick Ratio of the company is 1.96, 1.99, 1.98, 1.29 and 1.3. In the year 2019-20, the Quick Ratio is Increased to 1.3 so the Standard norm is satisfactory.

**CASH RATIO**

$$\text{Cash Ratio} = \frac{\text{Cash + Marketable Securities}}{\text{Current Liabilities}}$$

Year	Cash marketable securities	Current Liabilities	Cash Ratio
2017-18	2,560,002	13,122,726	0.19
2018-19	5,114,537	20,207,449	0.25
2019-20	7,028,518	18,430,917	0.38
2020-21	6,246,724	31,908,564	0.19
2021-22	4,020,841	34,910,413	0.11

**CHART 3 = CASH RATIO**



**INTERPRETATION:**

In all the above years the Cash Ratio is very low. The standard norm for Cash ratio is 1:2. The company is failed in keeping sufficient cash, bank balances and marketable securities.

**LEVERAGE RATIOS**

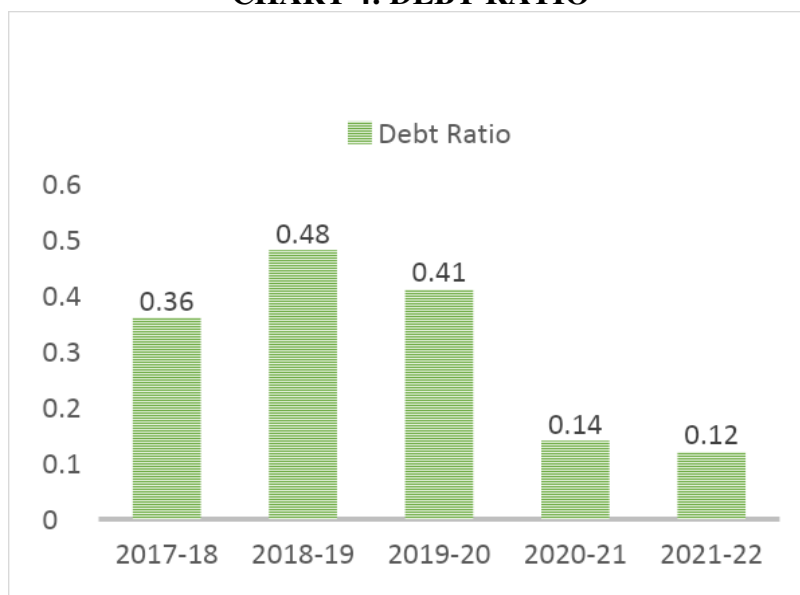
- Debt Ratio
- Debt Equity Ratio
- Interest Coverage Ratio

**DEBT RATIO**

$$\text{Debt Ratio} = \frac{\text{TOTAL DEBT}}{\text{CAPITAL EMPLOYED}}$$

Years	Total Debt	Capital Employed	Ratio
2017-2018	14,070,838	38,437,415	0.36
2018-2019	31,626,205	64,936,350	0.48
2019-2020	28,587,099	69,145,742	0.41
2020-2021	9,118,944	63,483,216	0.14
2021-2022	9,504,602	74,097,321	0.12

**CHART 4: DEBT RATIO**



**INTERPRETATION:**

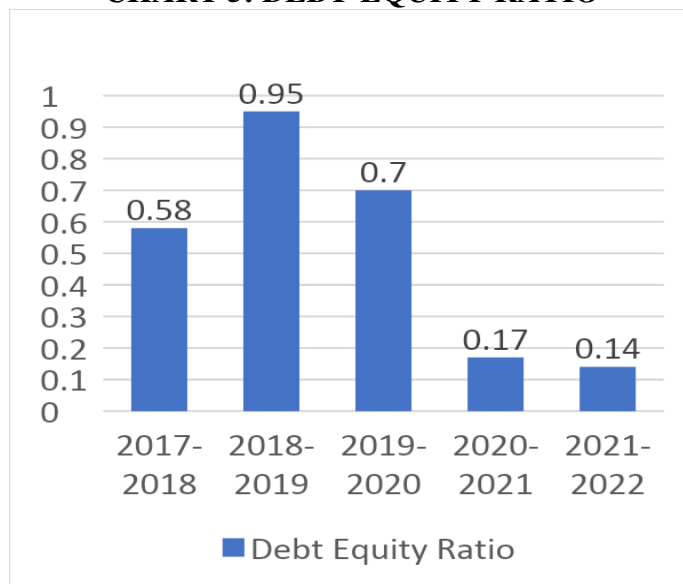
The Debt ratio gives results relating to Capital structure of a firm. The Debt ratio is 0.36 in the year 2017-18, and it is increased to 0.48 in the year 2018-19, and it is decreased to 0.41 in the year 2019-20, and again it is decreased to 0.14 in the year 2020-21 and again it is decreased to 0.12 in the year 2021-22. From the above fluctuating trend we can say that, the company much not dependence on debt because debt is decreased.

**DEBT EQUITY RATIO**

$$\text{Debt Equity Ratio} = \frac{\text{Total Debt}}{\text{Net Worth}}$$

Years	Total Debt	Net Worth	Ratio
2017-2018	14,070,838	24,366,576	0.58
2018-2019	31,626,205	33,310,144	0.95
2019-2020	28,587,099	40,558,643	0.70
2020-2021	9,118,944	54,364,271	0.17
2021-2022	9,504,602	64,592,718	0.14

**CHART 5: DEBT-EQUITY RATIO**



**INTERPRETATION:**

The Debt-Equity ratio gives results relating to Capital structure of a firm. The Debt-Equity ratio is 0.58 in the year 2017-18, and it is increased to 0.95 in the year 2018-19, and it is decreased to 0.70 in the year 2019-20, it is decreased to 0.17 in the year 2020-21 and it again decreased to 0.14 in the year 2021-22. The company depends on the debt fund is decreased

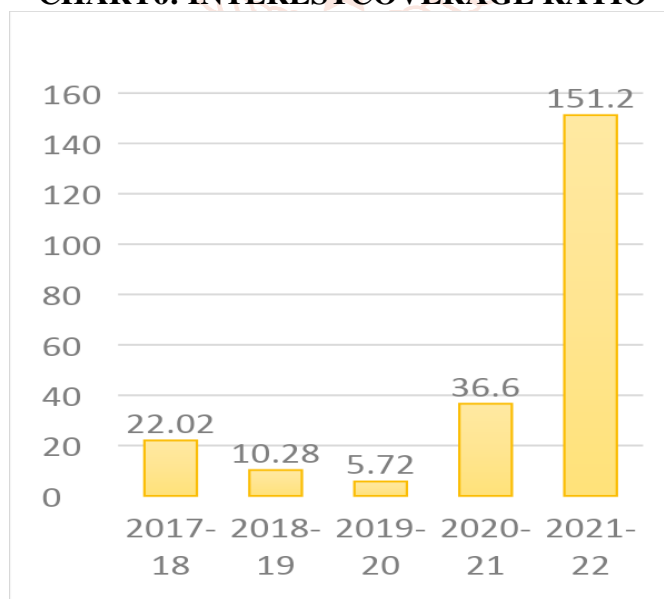
**INTEREST COVERAGE RATIO**

$$\text{INTEREST COVERAGE RATIO} = \frac{\text{EBIT}}{\text{INTEREST}}$$

**TABLE 6: INTEREST COVERAGE RATIO**

Years	EBIT	Interest	Interest Coverage Ratio
2017-2018	6,810,601	309,242	22.02
2018-2019	13,300,725	1,293,088	10.28
2019-2020	10,442,203	1,823,657	5.72
2020-2021	24,786,331	677,155	36.60
2021-2022	21,956,081	145,204	151.20

**CHART6: INTEREST COVERAGE RATIO**



**INTERPRETATION:**

Interest Coverage ratio is 22.02 in the year 2017-18, again it is decreased to 10.28 in the year 2018-19, and again it is decreased 5.72 in the year 2019-20. It is increased to 36.60 in the year 2020-21, again it is increased to 151.2 in the year 2021-22. In this position, outside investors are interested to invest the money in this company

**ACTIVITY RATIOS**

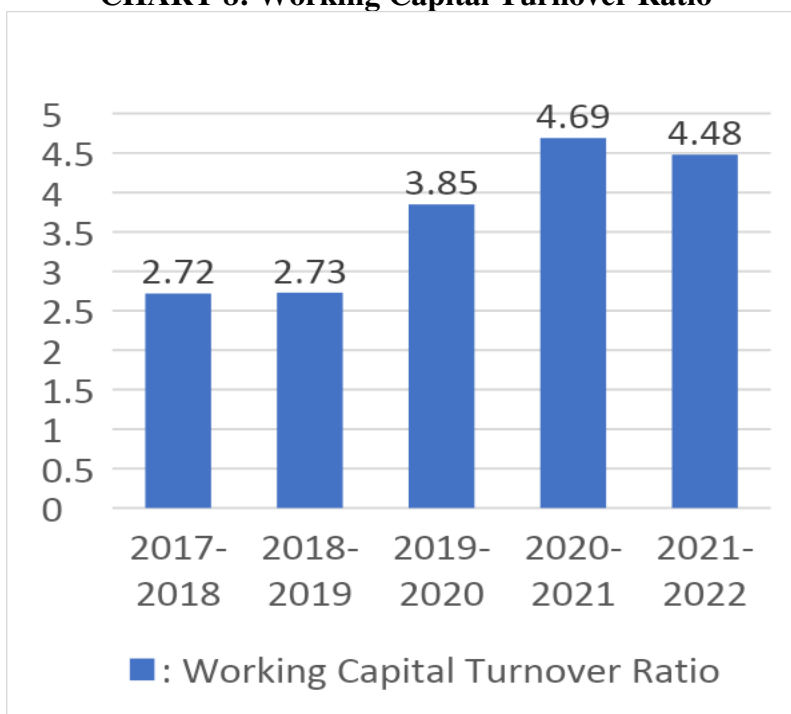
- Working Capital Turnover Ratio
- Current Asset Turnover Ratio
- Fixed assets Turnover Ratio
- Total Assets Turnover Ratio
- Debt Turnover Ratio
- Inventory Turnover Ratio

**WORKING CAPITAL TURNOVER RATIO**

$$\text{Working Capital Turnover Ratio} = \frac{\text{Sales}}{\text{Working Capital}}$$

Years	Net Sales	Net Working Capital	Ratio
2017-2018	59,580,164	21,879,206	2.72
2018-2019	108,332,569	39,552,160	2.73
2019-2020	131,317,881	34,168,091	3.85
2020-2021	146,520,967	31,197,717	4.69
2021-2022	176,112,067	39,276,291	4.48

**CHART 8: Working Capital Turnover Ratio**



**INTERPRETATION:**

Working capital turnover ratio is useful to measure the operating efficiency of the firm. Working capital turnover ratio is 2.72 in the year 2017-18. It increased from the year

2018-19(2.73) to 2020-21(4.69) but it decreased to 4.48 in the year 2021-22.

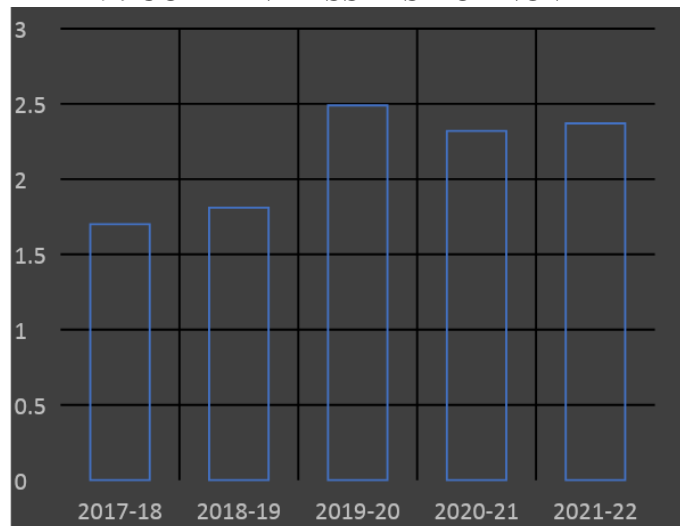
**CURRENT ASSET TURNOVER RATIO**

$$\text{Current Assets Turnover Ratio} = \frac{\text{Sales}}{\text{Current Assets}}$$

**TABLE 9: CURRENT ASSETS TURNOVER RATIO**

Year	Net Sales	Current Assets	Current Assets Turnover Ratio
2017-18	59,580,163	35,001,932	1.70
2018-19	108,332,569	59,759,610	1.81
2019-20	131,317,881	52,599,008	2.49
2020-21	146,520,967	63,106,281	2.32
2021-22	176,112,067	74,186,704	2.37

**CHART 9: CURRENT ASSETS TURNOVER RATIO**



**INTERPRETATION:**

During the period 2017-22, Current Asset Turnover ratios are 1.70, 1.81, 2.49 and 2.32,2.37 From the year 2017-18, it is increasing, and it is decreased to 2.32 in the year 2020-21 and again it is increased to 2.37 in the year 2021-22.

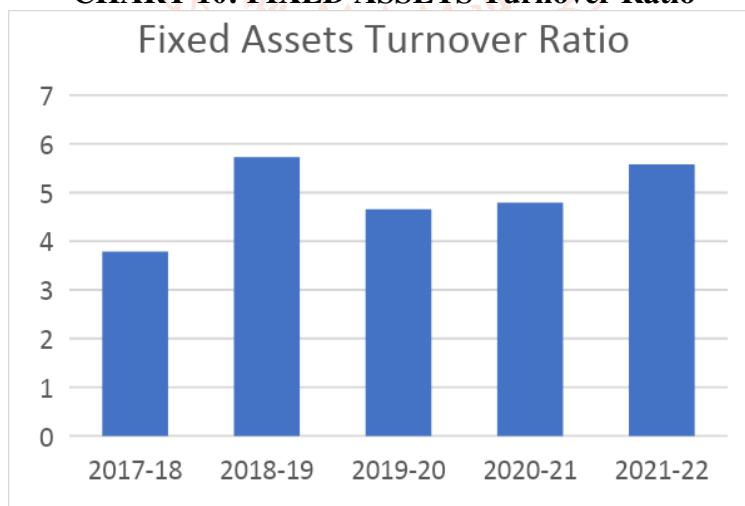
**FIXED ASSETS TURNOVER RATIO**

$$\text{Fixed Assets Turnover Ratio} = \frac{\text{Sales}}{\text{Net Fixed Assets}}$$

**TABLE 10: FIXED ASSETS**

Year	Net Sales	Net Fixed Assets	Fixed Assets Turnover Ratio
2017-18	59,580,163	15,683,045	3.79
2018-19	108,332,569	18,885,084	5.73
2019-20	131,317,881	28,132,423	4.66
2020-21	146,520,967	30,572,552	4.79
2021-22	176,112,067	31,508,696	5.58

**CHART 10: FIXED ASSETS Turnover Ratio**



**INTERPRETATION:**

Fixed Assets Turnover ratio is high in the year 2018-19, i.e. 5.73. It is decreased to 4.66 in the year 2019-20. It is increased to 4.79 in the year 2020-21. Again is increased to 5.58 in the year 2021-22. It shows the effective utilization of fixed assets.

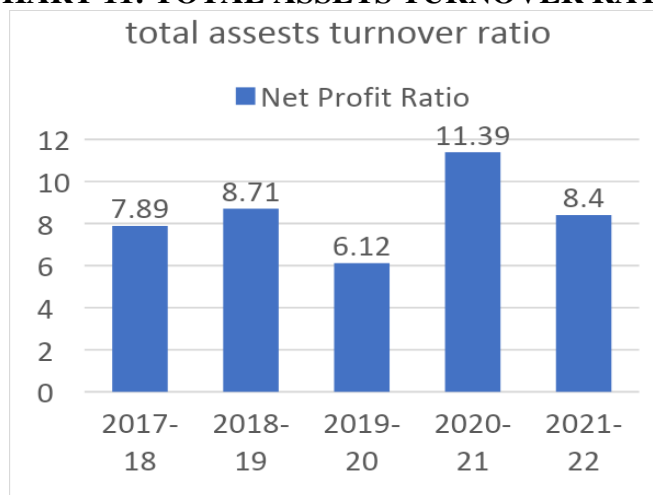
**TOTAL ASSETS TURNOVER RATIO**

$$\text{Total Assets Turnover Ratio} = \frac{\text{Net sales}}{\text{Total Assets}}$$

**TABLE 11: TOTAL ASSETS TURNOVER RATIO**

Year	Net Sales	Total Assets	Total Assets Turnover Ratio
2017-18	59,580,163	52,921,071	1.13
2018-19	108,332,569	86,838,860	1.25
2019-20	131,317,881	89,401,743	1.46
2020-21	146,520,967	97,555,310	1.50
2021-22	176,112,067	111,057,071	1.58

**CHART 11: TOTAL ASSETS TURNOVER RATIO**



**INTERPRETATION:**

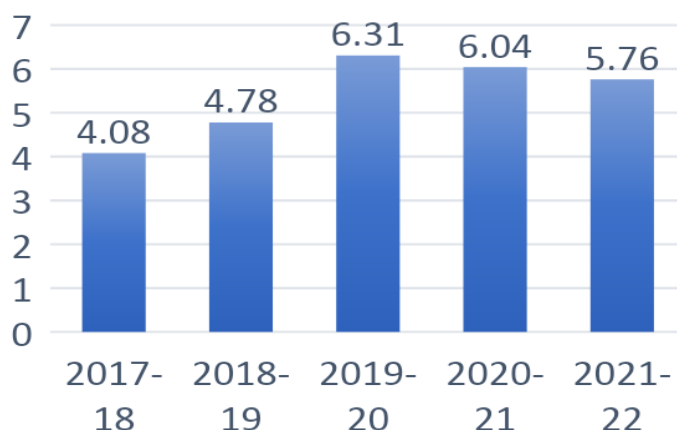
During the period 2017-22, Total Assets Turnover ratio is increasing from the value 1.13 to 1.58. It shows the effective capacity of the total assets.

**DEBTOR TURNOVER RATIO**

$$\text{Debtors Turnover Ratio} = \frac{\text{Net Sales}}{\text{Total Debtors}}$$

**TABLE 12: DEBTORS TURNOVER RATIO**

Year	Net Sales	Average Debtors	Debtors Turnover Ratio
2017-18	59,580,163	14,595,449	4.08
2018-19	108,332,569	22,646,820	4.78
2019-20	131,317,881	20,784,930	6.31
2020-21	146,520,967	24,229,547	6.04
2021-22	176,112,067	30,566,239	5.76



**INTERPRETATION:**

During the period 2017-2022, Debtors Turnover ratios are 4.08, 4.78, 6.31, 6.04 and 5.76. Debtors Turnover ratio is high in the year 2019-20, after it is decreased to 5.76 in the year 2021-22 so company decreased credit sales and increased cash sales.

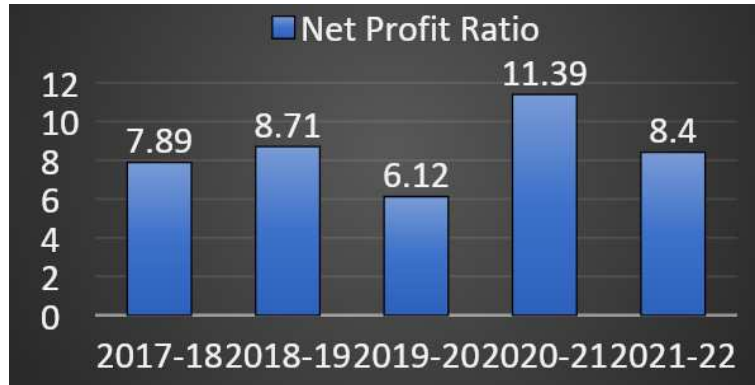


**INVENTORY TURNOVER RATIO**

**TABLE 13: INVENTORY TURNOVER RATIO**

Year	Cost of Goods Sold	Average Inventory	Inventory Turnover Ratio
2017-18	59,580,163	7,468,378	7.97
2018-19	108,332,569	14,325,245	7.56
2019-20	131,317,881	17,758,021	7.39
2020-21	146,520,967	18,919,961	7.74
2021-22	176,112,067	25,113,449	7.01

**CHART 13: INVENTORY TURNOVER RATIO**



**INTERPRETATION:**

Inventory Turnover ratio is 7.97 in the year 2017-18. In the years 2018-19, the ratios are decreased i.e. 7.56, 7.39. And it is increased to 7.74 in the year 2020-21, after it is decreased to 7.01 in the year 2021-22. so that in this ratio fluctuations are high.

**PROFITABILITY RATIOS**

- Gross Profit Ratio
- Net Profit Ratio

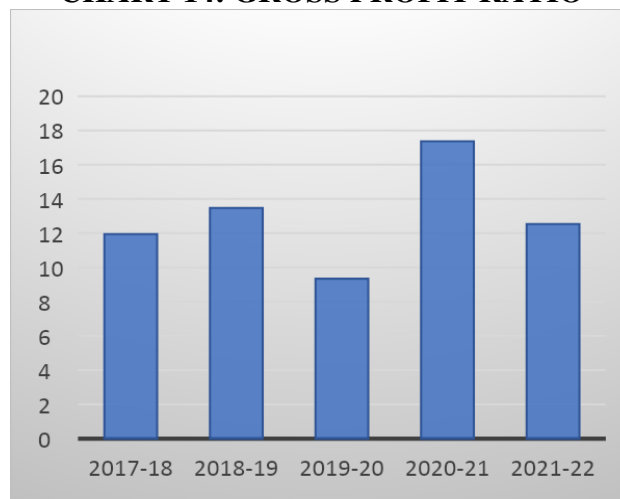
**GROSS PROFIT RATIO**

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

**TABLE 14: GROSS PROFIT RATIO**

Years	Gross Profit	Net Sales	Percentage (%)
2017-2018	7,119,844	59,580,163	11.95
2018-2019	14,593,814	108,332,569	13.47
2019-2020	12,265,860	131,317,881	9.34
2020-2021	25,463,487	146,520,967	17.37
2021-2022	22,101,285	176,112,067	12.54

**CHART 14: GROSS PROFIT RATIO**



**INTERPRETATION:**

This ratio indicates the relationship of gross profits on sales. During the period 2017-22, the gross profits are 11.95, 13.47, 9.34, 17.3 and 12.54. In the year 2021-22 the gross profit ratio is decreased to 12.54.

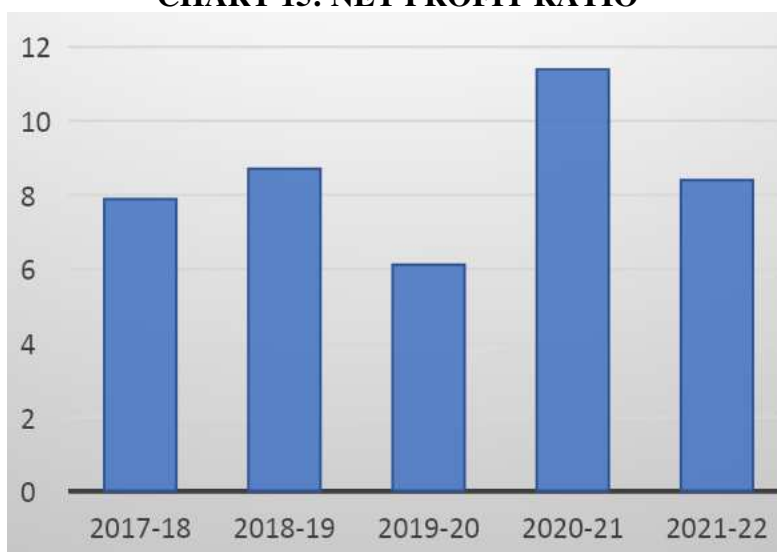
**NET PROFIT RATIO**

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

**TABLE 15: NET PROFIT RATIO**

Years	Net Profit	Net Sales	Percentage (%)
2017-2018	4704,345	59580163	7.89
2018-2019	94363151	108332569	8.71
2019-2020	80,478,67	131317881	6.12
2020-2021	167,033,38	146520967	11.39
2021-2022	148,096,39	176112067	8.40

**CHART 15: NET PROFIT RATIO**



**INTERPRETATION:**

During the period 2017-22, the Net profits are 7.89, 8.71, 6.12, 11.39 and 8.4. In the year 2020-21 ANANTHA PVC have large amount of profits, but it is decreased to 8.4 in the year 2021-22

**FINDINGS**

- Company has reached the standard ratio in the present year i.e. 2:1. So the company is in a position to repayment of its short term liabilities. In the year 2021-22 the Current ratio is Increased from 1.9 to 2.12.
- The company is maintaining quick assets over the quick ratio. So the quick assets would meet the quick liabilities. In the year 2021-22, the Quick Ratio is Increased to 1.3.
- By observing the cash ratio the company is failed in keeping the sufficient cash, bank balances .so the company cash performance is in down position. In the year 2021-22 the cash ratio is 0.11.
- The company depended more on the debt fund in previous. Now it is decreased in the present year.
- And decreased to 0.14 in the year 2020-21 and again it is decreased to 0.12 in the year 2021-22
- Interest coverage ratio is high in the present year. So, investors are interested to invest the money in this company. It is increased to 36.60 in the year 2020-21, again it is increased to 151.2 in the year.
- Working capital turnover ratio is decreased in the present year.
- Fixed assets turnover ratio is gradually increasing from 2017-2018. So, the company generating more sales.
- Debtor’s turnover ratio is decreased in the present year. So the company reduced its credit sales and increased its cash sales.
- The Gross profit & Net profits are decreased in the present year i.e. 2020-21. So the company should have good control over the operating expenses.

## SUGGESTIONS

- The company is paying high interest rate. Heavy costs of capital affects the profitability of the firm.
- The company is utilizing the fixed assets, which majorly help to the growth of the organization. The company should maintain it consistently.
- Anantha pvc pipes pvt Ltd has to increase its Gross profits and Net profits to support the diversification of the company.

- The company needs to improve its utilization of working capital

## CONCLUSION

- It is observed that the company's financial position is good because the company's leverage, activity and profitability positions are good and the company have to increase its liquidity position for better performance in future .

