

Ratio Analysis

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ABSTRACT

This project focuses on Ratio Analysis, a fundamental tool in financial statement analysis used to evaluate the financial performance and position of a business. The primary objective of this study is to interpret the financial health of a company through key ratios derived from its balance sheet and income statement. Ratio analysis helps in assessing liquidity, profitability, solvency, and efficiency, providing meaningful insights to stakeholders such as investors, creditors, and management.

The study includes the calculation and interpretation of major financial ratios such as the current ratio, quick ratio, debt-equity ratio, return on equity (ROE), return on assets (ROA), gross profit margin, net profit margin, and inventory turnover ratio. By applying these ratios to a selected company's financial data over a period of three to five years, the analysis reveals trends in performance and identifies strengths and weaknesses in financial management.

The results demonstrate how ratio analysis can support better decision-making and strategic planning. The study concludes that while ratios are useful indicators, they should be interpreted in context and used alongside other analytical tools for a complete financial assessment.

KEYWORDS: Ratio Analysis, Financial Performance, Profitability Ratios, Liquidity Ratios, Solvency, Financial Statements, Decision-Making, Trend Analysis

1. INTRODUCTION

Ratio analysis is a fundamental financial tool used to assess the performance, efficiency, profitability, and financial stability of a business. It involves comparing different financial metrics derived from a company's financial statements, such as the balance sheet and income statement, to evaluate its overall financial health. Ratios help stakeholders, including investors, creditors, and management, make informed decisions by providing insights into liquidity, solvency, profitability, and operational efficiency. Common financial ratios include liquidity ratios (such as the current ratio and quick ratio), profitability ratios (such as return on investment and net profit margin), and leverage ratios (such as the debt-to-equity ratio).

The significance of ratio analysis lies in its ability to simplify complex financial data, identify trends, and facilitate benchmarking against industry standards or competitors. Businesses use ratio analysis for financial planning, risk assessment, and decision-making to enhance operational effectiveness. While it provides valuable insights, ratio analysis should be used in conjunction with other financial assessment tools for a comprehensive evaluation. External factors such as market conditions, economic trends, and industry-specific variables must also be considered to ensure accurate interpretation of the financial position of a company.

2. RESEARCH METHODOLOGY

There are various branches of ultra tech cement Ltd., located throughout India. There are presented in the following Table 2.0.

Table 2 BRANCHES OF ULTRA TECH CEMENT LIMITED IN INDIA

S. NO.	Main branch name	No. of Branches
1.	Awarpur cement works	Awarpur, Maharashtra
2.	Hirmi cement works	Hirmi, Madhya Pradesh
3.	Gujarat cement works	Kovaya, Gujarat
4.	Andhra Pradesh works	Tadpati, Andhra Pradesh

DATA SOURCE

The data is collected from secondary data sources. The secondary data is collected from the annual reports and other magazines published by the company and websites of the company.

TOOLS OF THE ANALYSIS

The reference period of the study is 5 years from 2019-20 to 2023-24

3. DATA ANALYSIS

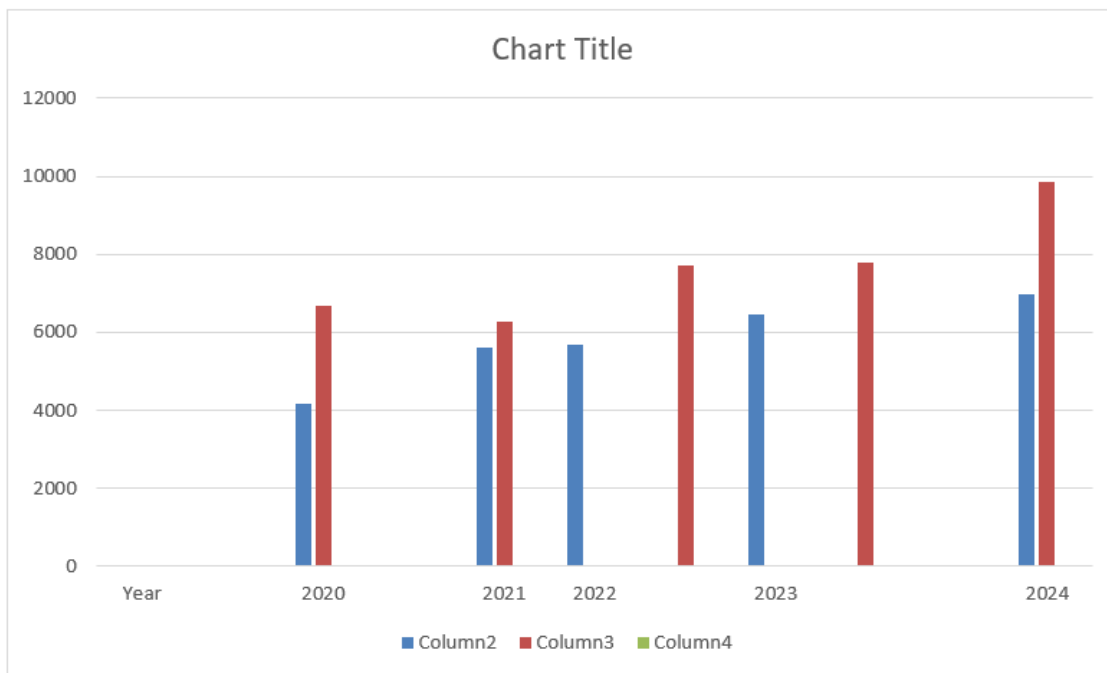
Table 3.1. LIQUIDITY RATIO'S

CURRENT RATIO:-

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

Year	Current assets	Current liabilities	Ratios
2020	4182.13	6693.43	0.625
2021	5623.62	6275.25	0.896
2022	5672.42	7711.37	0.736
2023	6448.87	7783.72	0.829
2024	6985.05	9845.44	0.709

Chart 3.1



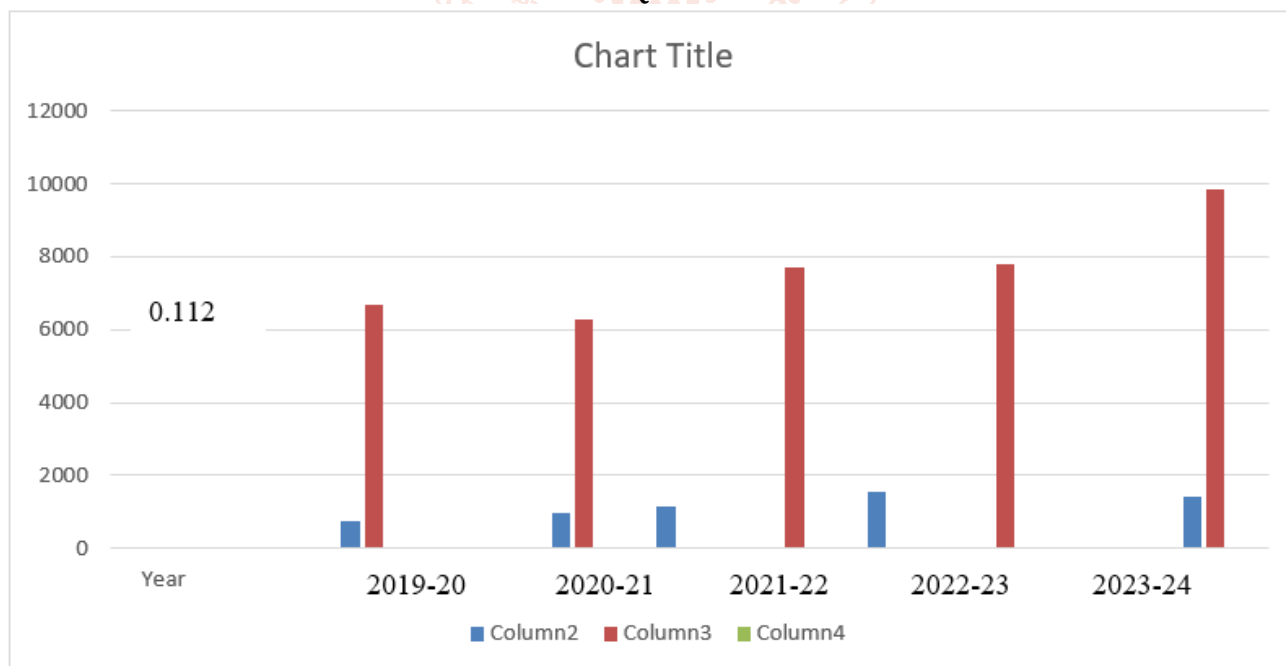
Interpretation

There has been change in current ratio from year to year. The standard current ratio is 2:1 in the year 2020 the current ratio is 0.625 and for the subsequent year from 2020-21 are 0.896, 0.736, 0.829 & 0.709 respectively.

Table 4.2 QUICK RATIO:-

Quick ratio = quick assets / current liabilities.			
Year	Quick assets	Current liabilities	Ratios
2020	747.08	6693.43	0.112
2021	954.15	6275.25	0.152
2022	1159.9	7711.37	0.15
2023	1558.52	7783.72	0.200
2024	1417.13	9845.44	0.144

Chart 3.2 QUICK RATIO



Interpretation

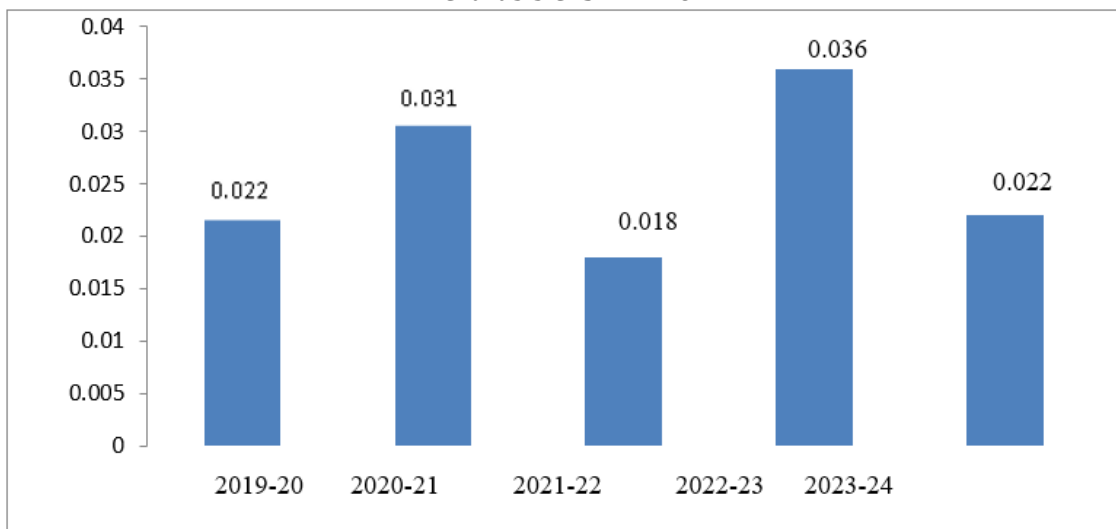
There has been change in quickratio from year to year. The standard quick ratio is 1:1 in the year 2019 the quick ratio is 0.112 and for the subsequent year from 2020-21 are 0.152, 0.15, 0.2 & 0.144 respectively.

3.3. Cash or absolute liquid ratio:-

Table 4.3

Cash ratio = absolute liquid / current liabilities			
year	Absolute ratio	Current liabilities	Ratios
2020	144.79	6693.43	0.022
2021	188.19	6275.25	0.031
2022	142.66	7711.37	0.018
2023	277.50	7783.72	0.036
2024	213.94	9845.44	0.022

Chart 3.3 CASH RATIO



Interpretation

There has been change in cashratio from year to year. The standard cash ratio is 0.5:1 in the year 2020 the cash ratio is 0.022 and for the subsequent year from 2020-21 are 0.031, 0.018, 0.036 & 0.022 respectively.

4. CONCLUSION

The study of ratio analysis occupies an important place in financial management. This study examined the ratios of ULTRA TECH CEMANTS. An analysis of the liquidity aspect of working capital is vital for both the short term creditors and the management of a business enterprise. The study shows the liquidity position. The position is good but there is a need for improvement in certain factors.

5. REFERENCES

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