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A Study on Ratio Analysis in Dora Plastics Pvt Ltd, Renigunta

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ABSTRACT: -

The aim of the study is to analysis the ratio analysis to know the financial position of the company using the financial tools. This study based on financial tools such as ratio analysis. By using this tool combined it enables to determine in an effective manner. This research helps to identify and give suggestion the area of weaker position of business transactions in the company. This research is made to assess the ratio analysis as per trend analysis.

Introduction: -

Ratio analysis is the powerful tool of the financial analysis. As stated in the beginning, many diverse groups of people are interested in analyzing the financial information to indicate the operating and financial efficiency, and growth of the firm. These people use ratios to determine those financial characteristics of the firm in which they are interested. With the help of ratios, one can determine:

- The ability of the firm to meet its current obligations.
- The efficiency with which the firm is utilizing its assets in generating sales revenue.

Classification of ratios:

So many ratios, calculated from the accounting data can be grouped into various according to financial activity (or) function to be evaluated. The parties interested in financial analysis are short and long creditors, owners, and management. Short – term creditor's main interest is in the liquidity position or the short –term solvency of the firm.

- Liquidity ratios
- Leverage ratios
- Activity ratios
- Profitability ratios

Liquidity ratios measure the firm's ability to meet current obligations; leverage ratios show the proportions of debt and equity in financing the firm's efficiency in utilizing its assets and profitability ratios measure overall performance and effectiveness of the firm. Each of these ratios are discussed below:

Similarly, owners concentrate on the firm's performance. They must protect the interest of all parties and see that the firm grows profitability. In view of the requirements of the various users of ratios. We may classify them in to the following four important categories.

Methodology of the study: -

Secondary Data: -

The secondary data are those, which have been collected by someone Else and which have already been processed.

Need of the study: -

The subject matter of financial is of immense interest for every financial analyzer. It needs special attention because of the complexities involve in managing cash in present day industrial function, The important aspect is the estimation of how much of finance. Ratio analysis has been taken as a tool in assessing the performance of the company in respect the liquidity position.

Scope of the study: -

- A study of the ratio analysis involves an examination of short-term sources that a company taps to meet its requirements of finance.
- The scope of the study is limited to collecting financial data published in the annual reports of the workable solutions.
- It deals with analysis an interpretation of data collected through the sources of data.
- Analyze financial ratios to assess profitability, liquidity, and operating effectiveness.

Objectives of the study: -

- To analyze and evaluate the financial performance of the company.
- To know the short-term financial position of company.
- To examine the financial performance of the company for the period 2017-21
- To analysis interpret and to suggest the operational efficiency of the company by comparing the profit & loss A/c and balance sheet.

Limitations of the study: -

- Lack of response from the company management.
- The time available to study the project is constraint.
- The study was done to the annual reports provided by the company.
- The study is limits within the company.

Data analysis & interpretation: -

Table no: - 1

Years	Current assets	Current liabilities	Ratios
2017-18	5449452	2215853	2.46
2018-19	6594661	5696773	1.16
2019-20	8497426	7259690	1.17
2020-21	11721701	7177256	1.63
2021-22	13665121	5479776	2.49

Sources: Secondary data

Interpretation:

On seeing the analysis table, it is evident that the current ratio in the year 2017-18 is 2.46 and later it is decreased to 1.16 & 1.17 respectively in the year 2018-19 & 2019-20, and it is increased to 1.63 & 2.49 in 2020-21 & 2021-22.

Table no: - 2

Years	Quick assets	Current liabilities	Ratios
2017-18	3403865	2215853	1.86
2018-19	4518791	5696773	0.79
2019-20	6448550	7259690	0.91
2020-21	7473534	7177256	1.04
2021-22	7225790	5479776	1.32

Sources: Secondary data

Interpretation:

On seeing the analysis table, it is evident that the quick ratio in the year 2017-18 is 1.86 and later it is decreased to 0.79 in the year 2018-19 and from the year 2019-20, 2020-21 & 2021-2022 is increased respectively 0.91, 1.04 & 1.32.

Table no: - 3

Particulars	Networking capital	Assets	Ratios
2017-18	3233599	5449452	0.59
2018-19	897888	6594661	0.14
2019-20	1237736	8497426	0.15
2020-21	4544445	11721701	0.15
2021-22	8185345	13665121	0.6

Sources: Secondary data

Interpretation:

On seeing the analysis table, it is evident that the networking capital ratio in the year 2017-18 is 0.59 and later it is decreased to 0.14, 0.15 & 0.15 respectively in the year 2018-19, 2019-2020 & 2020-21, and it is increased to 0.6 in the year of 2021-22.

Table no: - 4

Years	**Sales**	**Inventory**	**Ratios**
2017-18	25307821	2045587	12.3
2018-19	29455716	2200699	13.38
2019-20	31546070	2048876	15.4
2020-21	33156905	4248167	7.8
2021-22	46503000	6439331	7.22

Sources: Secondary data

Interpretation:

On seeing the analysis table, it is evident that the inventory turnover ratio in the year 2017-18 is 12.3 and later it is increased to 13.38 & 15.4 respectively in the year 2018-19 & 2019-20, and then it is decreased to 7.8 & 7.22 at 2020-21 & 2021-22.

Findings: -

- The current ratio which is considered as ideal at 2 and it was improved from 1.16 in 2018-19 to 2.49 in 2021-22.
- Similarly, the quick ratio which is considered ideal at 1 and it was 1.86 in the year 2017-18 and it is decreased to 1.32 in 2021-22.
- Net working capital turnover ratio decreases from the year 2018-19 to 2020-21 due to changes in the current liabilities.
- The company effectively uses the inventory in the year 2019-20 and the inventory turnover ratio inn 2021-22 is low, it indicates the inventory is not sale.
- Total assets turnover ratio found satisfactory, and it indicates the efficient utilization of total assets in generation of sales.
- Net assets turnover ratio is high in the year 2019-20, it indicates that the more efficient is the utilization of current assets in generating sales.
- The company have higher gross profit margin the year of 2017-18 with 19.82, it indicates favorable sign of good management.

Suggestions: -

- The company should increase their current assets to meet the payment schedule of its current debts.
- The company should maintain the quick ratio to meet its current obligations with readily convertible quick funds.
- The company need to more efficient in the utilization of working capital in generating the sales.
- The debtor’s turnover ratio should control at cash sales and reduced debtors’ collection period through implementing an optimum credit policy.

Conclusion: -

Based on the above study, it can be said that the company's financial position at the end of the year 2021-22 was satisfactory level. The company's declining profit levels needs to be worked at. The performance of assets turnover ratio and gross profit margin ratio of the company was satisfactory during the study period.

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