International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

A STUDY ON FINANCIAL RATIO ANALYSIS OFAICHI ELECTRIC INDISTRY

SUSMITHA UTUKUR[1], ESWAR REDDY[2]

NARAYANA ENGINEERING COLLEGE ,AUTONOMOUS,GUDUR

ABSTRACT:

The main objective of research is to examine the various dimensions of ratio analysis in assessing a company's operational efficiency and financial stability. It evaluates the company liquidity status to check how quickly it can meet short-term obligations. It measures the company degree of activity, offering insight into its resource allocation and operational dynamics. It looks into the long-term financial position, providing approaches on growth and sustainability. It also assesses the company's potential for profitability identifying its ability to earn profit in the face of market difficulties. Finally, it investigates operational efficiency, illuminating the effectiveness of resource utilization and management practices. This research provides a full grasp of the company's operational resilience and financial prowess through a thorough investigation of these aspects.

INTRODUCTION :

Ratio analysis is a quantitative procedure of obtaining

The information presented in this chapter, combined with the authors' rationale presented in the introduction, above, provides the conceptual framework of the book, and provides the basis for preparing and organizing courses in ratio and proportion for both pre- and in-service elementary and middle school mathematics teachers: initial training for the former and professional development for the latter.

A Model For Teaching Ratio and Proportion Using Authentic Investigative Activities

The model presented below is the basis used for constructing an instructional unit on the topic of ratio and proportion, whether for pre-service mathematics teachers or for in-service mathematics teachers participating his fifth edition, Ratio Analysis in Higher Education: New Insights for Leaders of Public Higher Education, is designed for public colleges, universities and related entities that adopt Governmental Accounting Standards Board (GASB) Statement Nos. 34 and 35. These statements, along with several other related GASB standards, represent a watershed event in accounting and financial reporting that creates both challenges and opportunities for senior managers, governing boards and other stakeholders, including faculty, and legislative and administrative bodies. Although GASB Statement Nos. 34 and 35 significantly change the manner in which financial information is presented and require institutions to depreciate their plant assets, the institution's fundamental financial condition and results have not changed.

REVIEW OF LITERATURE :

Review1

The companies depends more oninternal financing and the overall profitability has been increasing atamoderate rate.

Reference: M.Kumbirai and R.Webb,"AFin ancial Ratio Analysis of Commercial Bank Performance in South Africa",African Review of Economics and Finance,Vol.2,No.1,pp.1-12,2010

Review2

In India,there appears to have been extensive borrowing from American sources of not only types of ratio buttheircriteria as well.

Reference: Organizational Structure of Kumbakonam Central CoOperative Bank (KCCB) and Thanjavur Central CoOperative Bank (TCCB),Available at: https://sg.inflibnet.ac.in/bitstream/10603/114386/12/12_ch apter%202.pdf

Review3

Financial ratios allow big and small companie stoes timateand improve their financial position.

Reference: JeanNataf. (1957). 'A New View of Financial Ratio' in Organization for European Economic Cooperation,.Paris:Europian Productivity Agency,ProjectNo.379,pp.95-101.

Review4

Financial ratios allow big and small companies to estimateand improve their financial position.

Reference: JeanNataf. (1957). 'A New View of Financial Ratio' in Organization for European Economic Cooperation,.

Paris: Europian Productivity Agency,ProjectNo.379,pp.95-101.

Review5

In Russia and China, working capital turnover and return on investment ratios are used to comparisons and measurement.
Reference: Economic Statistics of Japan. (1963). Statistics Department, BankofJapan,pp.233-236

OBJECTIVES OF THE STUDY

- To determine the liquidity position of the Company.
- To Study the Level of activeness of the company.
- To assess long-term financial position of the company.
- To assess the ability of the company to earn profits.
- To assess operational efficiency of the company.

RESEARCH METHODOLOGY

The procedure adopted for conducting the research requires a lot of attention as ithas direct bearing on accuracy, reliability and adequacy of results obtained. It isdue to this reason that research methodology, which we used at the time of conducting the research, needs to be elaborated upon. Research Methodology is away to systematically study and solve the research problems. If a researcher wantsto claim his study as a good study, he must clearly state the methodology adaptedin conducting the research the research so that it way be judged by the reader
whether the methodology of work done is sound or not.
1.The Research Methodology here includes.
2.Meaning of Research.
3.Research Problem.
4.Research Design.
5.Sampling Design.
6.Data Collection method.

Analysis and interpretation of Data.

Meaning Research:

Research is defined as “ascientific and systematic search for pertinent information on a specific topic
Research is an art of scientific investigation.Research is a systematized effort to gain now knowledge. It is a careful investigation or inquiry especially through search for new facts in any branch of knowledge. Research is an academic activity and this term should be used in atechnical sense. Research comprises defining and redefining problems, formulating
hypothesis or suggested solutions. Making deductions and reaching conclusions todetermine whether they if the formulating hypothesis. Research is thus, an originalcontribution to the existing stock of knowledge making for its advancement. Thesearch for knowledge through objective and systematic method of finding solutionsto a problem is research.

Research Problem

The first step while conducting research is careful definition of Research Problem.
“To ERR IS THE HUMAN” is a proverb which indicates that no one is perfect in
this world. Every researcher has to face many problems which conducting any
research that’s why problem statement is defined to know which type of problems
a researcher has to face while conducting any study. It is said that,
“Problem well defined is problem half solved.”
Basically, a problem statement refers to some difficulty, which researcher experiences in the context of either a theoretical or practical situation

NEED FOR THE STUDY

Financial forecasting is an integral part of financial planning. Forecasting uses past data to estimate the future financial requirement. Ratio analysis is a powerful toolof financial analysis. A ratio is used as a benchmark of for evaluating the financial position and performance of the firm. Ratios help to summarizes large quantities of financial data and to make qualitative judgment about the firm’s financial performance.
The purpose of the project is to study the working of the company with reference to financial management.
To analyze the company trends for the last 5 years.
To assess the overall financial strength of the company.
It is the necessary to note that ratio reflects a quantitative relationship which helps to form a quantitative judgment.
It is overall responsibly the management to see whether the resource of the firm used most effectively of the firm’s financial condition.

SCOPE OF THE STUDY

The ratio analysis is the most powerful tool of the financial statement analysis. These people use rations 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 extent to which the firm has used its along-term solvency by borrowing funds.
The efficiency with which the firm is utilizing its assets in generating sales revenue. • The overall operating efficiency and performance of the firm.
This study is also useful to know the strengths and weakness of the company.

METHODOLOGY OF THE STUDY

Research design is some statement of procedure for collecting and analyzing the information required for the solution of some specific problem. Here exploratory research is used to analyze the performance of company.

Sources of data:

The data collected related to the studywas divided into two types;
Primary data
Secondary data

Primary data: -

The Primary Data was collected from experts of financial departments on the basis of which actual position of the company.

Secondary data: -

The secondary data was collected from company annual reports, standard books, journals, magazines, past records and company websites.

LIMITATIONS OF THE STUDY

- The Ratios are calculated from the Past Financial Statements and they are not correct Indicators of the future.
- Most of the study is done through the Secondary Data. As some of the Financial Was highly confidential, it is not disclosed to outsiders.
- * The figures taken from the financial statement like profits and loss accounts and balance sheets were historical in nature.

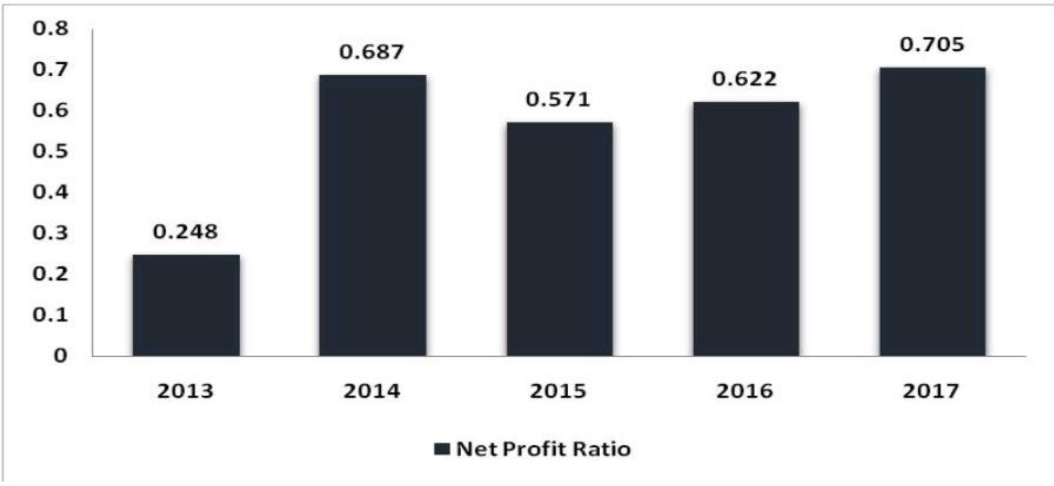
DATA ANALYSIS AND INTER PRETATION

Interpretation: As a rule, the current ratio with 2:1 (or) more is considered as satisfactory position of the firm. This ratio shows the ability of the firm and it related with Current Assets & Current Liabilities. Generally Current Ratio of 2:1 is considered ideal for a concern i.e., current asset should be twice of the current liabilities.This is the most widely used ratio. In the year 2013 and 2014, the current asset ratio was 7.08 and 9.09 respectively. But it started decreasing in the consequent years to 1.29 in 2016, 1.39 in 2017

PROFITABILITY RATIOS NET PROFIT RATIO
TABLE SHOWING NET PROFIT RATIO

Years	NetProfit	NetSales	NetProfitRatio
2013	30,854,152.38	124,612,231.32	0.248
2014	102,250,057.89	148,745,150.78	0.687
2015	81,117,232.38	142,008,057.06	0.571
2016	92,429,095.13	148,703,146.00	0.622
2017	104,283,901.36	147,856,830.33	0.705

CHARTSHOWINGNETPROFIT RATIO



Sources:AnnualReportsofKAGIndiaPvtLtd.

INTERPRETATION: The operating cycle for the year 2014 is negative (i.e. -6.95) and it is maximumin the year 2018i.e. (35.6). The Operating Cycle period has a increased trend and it has increased to 35.6 in the year 2017 – 2018 from -6.95 in the year2013 – 2014.So as per the data it is deferred origination that operatingcycle period (Days) maximum in current year 2018 (i.e.35.6)

LIQUIDITY RATIOS:

Liquidity Ratios measure the ability of the firm to meet its Current Obligations
(Liabilities). These ratios by establishing a relationship between Cash and otherCurrent Assets to Current Liabilities provide a quick measure of liquidity

5.1 CURRENT RATIO:-

The Current Ratio is-terma solvencymeasure.Currentratioof2 tothe1or firm' more is considered satisfactory. Current Ratio represents a Margin of Safety for
Creditors. The higher the Current Ratio, the greater the Margin of Safety;

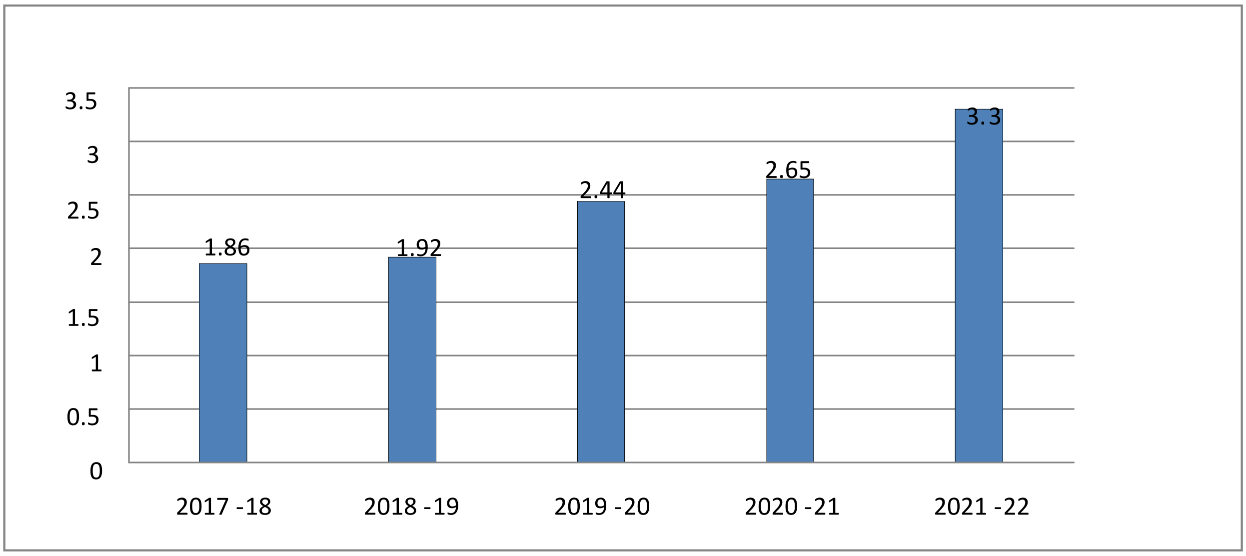
$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

CALCULATION OF CURRENT RATIO:

TABLE: 5.1

Financial Year	Current Assets (Rs in Lakhs)	Current Liabilities (Rs in Lakhs)	Current Ratio (Times)	
2017-18	16137.54	8676.59	1.86	
2018-19	18321.76	9556.53	1.92	
2019-20	26196.83	10726.59	2.44	

2020-21	26616.98	10030.68	2.65	
2021-22	35973.84	10883.33	3.30	



GRAPH 1

INTERPRETATION: -

The current Ratio of the company are continuously increasing from 1.86to with an average of 3.30 during the study period. The company is not maintain exactly the standard norm of 2:1 current ratio but it is nearer to the standard norm.

5.2 QUICK RATIO:

Quick Ratio, also called Acid Test Ratio, A Quick Ratio express the relationship between the quick assets and current liabilities. It is obtained by measure quick assets by current liabilities. A quick ratio of 1:1 considered adequate. For every one rupee current liabilities ther should be maintained one rupee of worth of quick assets.

Current Assets –inventory

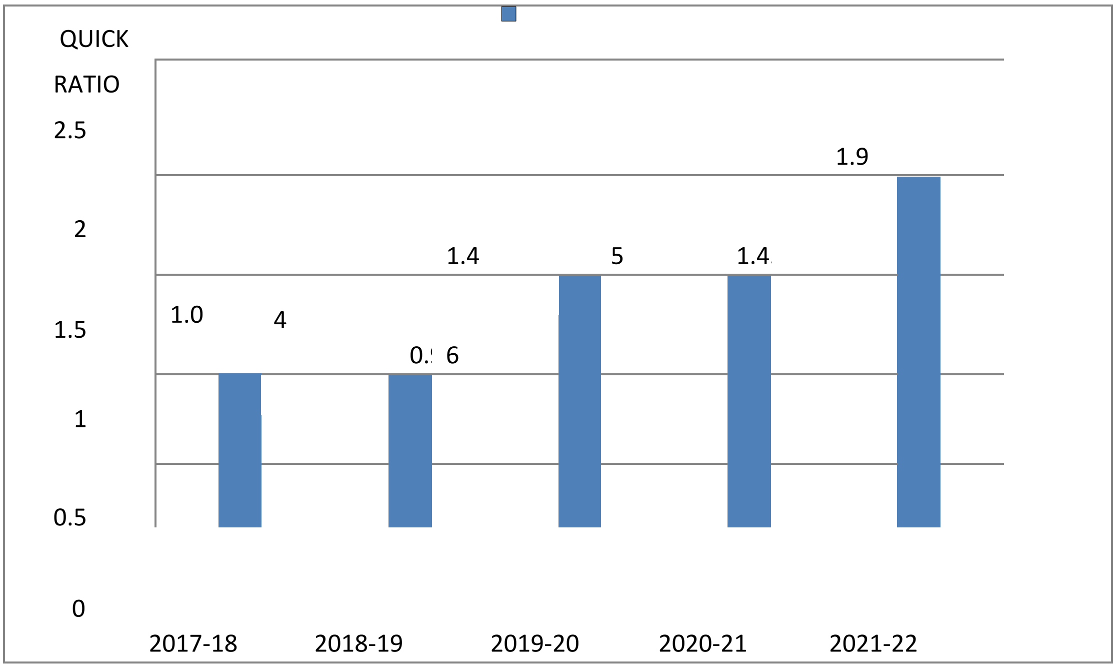
Quick Ratio = current liabilities

TABLE: 5.2

CALCULATION OF QUICK RATIO:

Financial Year	Current Assets (Rs in Lakhs)	Inventory (Rs in Lakhs)	Current Liabilities	Quick Ratio
2017-18	16137.54	7075.18	8676.59	1.04
2018-19	18321.76	9194.08	9556.53	0.96
2019-20	26196.83	10636.86	10726.59	1.45
2020-21	26616.98	12092.91	10030.68	1.45
2021-22	35973.84	14436.48	10883.33	1.97

GRAPH-2



INTERPRETATION: -

The Quick Ratio of the company from 2017-18 to 2021-22 is more than normal standard of 1:1 liquid asset is quite sufficient to provide a cover to the current liabilities the ratios are 1.04 to1.97.

5.3 CASH RATIO:

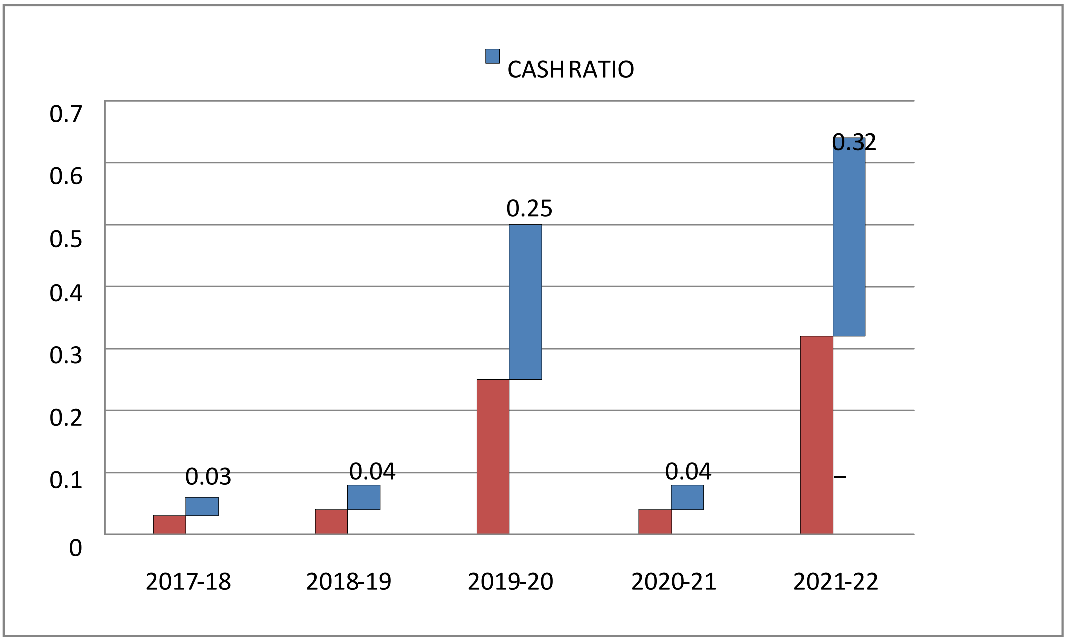
Cash is the most liquid asset, a financial analyst may examine cash ratio and its equivalent to current liabilities. Trade investment marketable securities are equivalent of cash. They may be included in computation of cash ratio.

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

CALCULATION OF CASH RATIO TABLE: 5.3

Financial Year	cash +M.S (Rs in Lakhs)	Current Liabilities (Rs in Lakhs)	Cash Ratio
2017-18	247.72	8676.59	0.03
2018-19	350.67	9556.53	0.04
2019-20	2650.37	10726.59	0.25
2020-21	420.10	10030.68	0.04
2021-22	3463.66	10883.33	0.32

GRAPH-3



INTERPRETATION:

The cash Ratio of the company from 2017-18to 2021-22 the cash ratio of the company is fluctuating during the study period. The first two years was increase from 0.03to 0.04.than it was increased by o.25 in the year of 2017-18.at the last year it was increased by 0.32 in the year 2018-19.

2. LEVERAGE RATIO:

A firm should have a strong short-as well as long-term financial position. To Judge the long-term financial position of the firm, Financial Leverage or Capital Structure Ratios are calculated.

5.4 DEBT RATIO: -

Debt Ratio used to analyze the long-term solvency of a firm. The firm interested in knowing the proportion of the interest-bearing debt in the Capital Structure. It may therefore, compute debt ratio bydividing total debt bycapital employed.

Total Debt (TD)

Debt Ratio =

Capital Employed (CE)

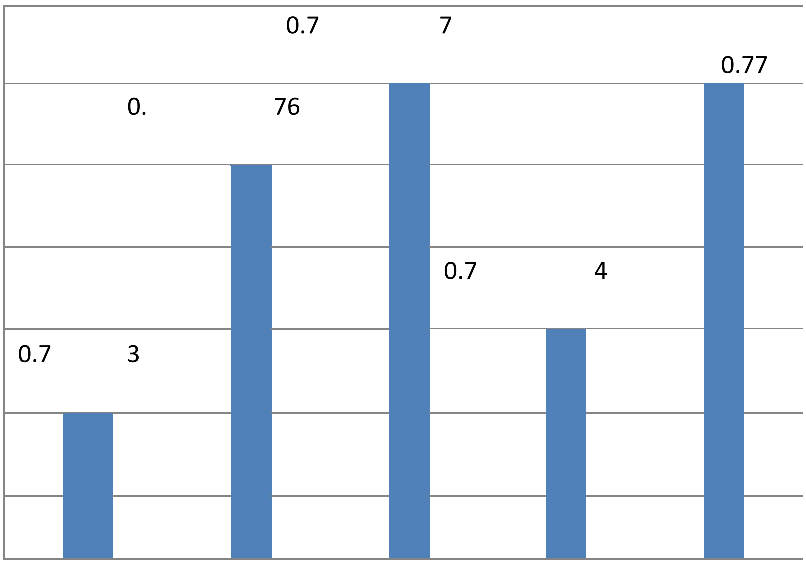
CALCULATION OF DEBT RATIO

TABLE: 5.4

Financial Year	Total Debt (Rs in Lakhs)	Total Debt + Net worth (Rs in Lakhs)	Debt Ratio
2017-18	20899.27	28680.37	0.73
2018-19	24931.98	32901.40	0.76
2019-20	31301.36	40386.36	0.77

2020-21	32680.60	43836.66	0.74
2021-22	41229.73	53755.86	0.77

GRAPH-4



INTERPRETATION:-

The Debt Ratio of the company was started with 0.73at the first year 2018- 19.it was increased to0.76 and 0.77 year i.e. 2017-18 and 2019-20 respectively. The average Debt Ratio of SPL is 0.74 in the year 2018-19.the last year 2019-20 it was increased to 0.77.

FINDING SOFT HE STUDY:

- The current ratio in 2013 and 2014, the current asset ratio was 7.08 and 9.09 respectively. But it started decreasing in the consequent years to 1.29 in 2016, 1.39 in 2017
- Intheyear 2013,thenetprofitratiowas0.248anditisincreasingthereafter

SUGGESTIONS:

- Thecompanyshouldconcentratetomaintaintheliquiditypositiononcashbalance and try to mobilize funds from banks / financial institutions.
- Thecompanyisrecommendedtomobilizefundsfromvarioussourcesmaybe external or form internal.
- Costcontroltechniquesaretobeadopted onthecompany where ever possible.
- Companycanutilizethereservesandsurplusbyeithercapitalizingorinvestthe money somewhere an investment to get benefit.
- Thefinancialleverageshouldbe maintainedeffectively.

CONCLUSION

The recommendations have been put forward to management for its consideration. Even though the recommendations are done based on the projections of the historical data available for the books of accounts, the Management of Aichi Steels has to take efforts to implement the necessary steps by looking into the financial performance of the previous year. Actually speaking, a successful financial executive is interested not in maintaining a good current ratio but in maintaining an adjustable account of current assets so that the business may operate smoothly. Thus the working capital concepts are more important to the management in order to maintain the current assets and current liabilities. The company has favorable net assets value, sales and income of the company also is in increasing trend. The company has favorable Earnings before interests and taxes, cash flow. Earnings per share value are increasing every year. Price per sales ratio and Price per Earnings ratio aregradually decreasing. The lower the PSR value is the better.

REFERENCE:

Books

1. 1.Cooper,DonaldS",BusinessResearchMethod,14thEdition2007,publishedby GrawHill

2. Financialmanagement–VanHorne
3. BasicFinancialManagement–PrasannaChandra
4. 4.Pandey.I.M,Financialmanagement,Vikaspublishinghouseprivatelimited,NDelhi, 2007
5. 5.KhanM.YandJainP.K,Financialmanagement,TataMcGrawhillpublishing limited,NewDelhi,1996
6. 6.R.KSharma,Shashi.KGupta,Managementaccounting,Kalyanipublishers,NDelhi, 1998
7. Johnson, G.C. 1970. “Ratio Analysis and the Prediction of Firm Failure: Comment.”
8. 8.Finney, H.A., and H.E. Miller. 1972. Principles of Accounting, Introductory. 7th ed. Englewood Cliffs, NJ: Prentice-Hall.
9. Batty, J. 1966. Management Accountancy. London, UK: MacDonald and Evans Ltd.
10. 10.Anthony, R.N., and J.S. Reece. 1975. Principles of Management Accounting. Homewood, IL: Richard Irwin Inc.