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A Study on Ratio analysis practices In the silicon industry

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ABSTRACTS :

The aim of research is to present a comprehensive analysis of a company's financial performance through different ratios to accomplish manifold goals. The liquidity ratios are calculated to measure the liquidity position, providing insights related to the firm's ability to meet short-term obligations. Long-term financial position is measured with the help of solvency ratios, presents a perspective on the long-term financial commitments of the company. Turnover ratios are used to evaluate operational efficiency, showing the effective utilization of assets for generating profits. Profitability ratios are employed to measure the company's ability to create profits relative to its resources and investments. Finally, operational and solvency efficiency are measured to provide nuanced understanding of the company's overall financial soundness and sustainability.

Keywords: Liquidity, profitability, solvency, efficiency

Introduction:

Ratio analysis is a widely used tool of financial analysis. It is defined as the systemic use of ratio to interpret the financial statements so that the strengths and weaknesses of a firm, as well as its historical performance and current financial condition, can be determined. Ratios make the related information comparable.

Review of literature:

Prasanta Paul (2011) stated on the Financial Performance Evaluation – Some of the selected NBFCs are taken for the comparative study. In the study, five of the listed NBFCs are considered for the analyzation of comparative financial performance. Different type of statistical tools like standard deviation, arithmetic mean, correlation etc. are used extensively. Objectives of the study:

Sheela Christina (2011) reported on Financial Performance of Wheels India Ltd. Secondary data collection method is used for the analytical type of research design. Before conducting the study, validity and reliability is checked for the past five years where the researcher used this for the purpose of study.

Ried Edwardj and Srinivasan Suraj (2010) made an investigation to check whether the special items presented by the managers' in the financial statements reflected in the economic performance or opportunism

Gaur Jighyasu (2010) focuses on the measurement of financial performance of business group companies of nonmetallic mineral products industries of India. This study uses the 57 business group companies' financial data of non metallic mineral products industries of India such as glass, cement, jewellery and gems, ceramic tiles, refractories etc.

Amalendu Bhunia (2010) took the analysis of pharmaceutical company's financial performance to understand how the management of finance playing a crucial role in the growth. For a period of twelve years the study has undertaken from 1997-98 to 2008-09

Ghosh Santanu Kumar and Mondal Amitava (2009) study on the relationship of intellectual capital and finance performances for a period of 10 years from 1999 to 2008 of 70 Indian banks. The measurement of financial performance used in this analysis were return on equity, return on assets and assets turnover ratio of Indian Banks.

Burange and Shruti Yamini (2008) analyzed the performance of Indian Cement Industry – The competitive landscape. The experience of the boom on the account of overall growth of Indian Economy by the cement industry is because of the expanding of investment and industrial activity in the cement sector.

Edward I. Altman (1968) Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. This study used to analyze the performance of the business enterprise by using ratio analysis as the analytical technique.

Objectives of the study:

1. To study the short run financial performance of the company
2. To measure the solvency position of the company

3. To assess the profitability of the company
4. To evaluate the leverage status of the company
5. To offer suggestions for improving financial health of the company

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.

Need Of 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 tool of 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

Research methodology and design:

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 study was 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.

Data analysis and interpretation:

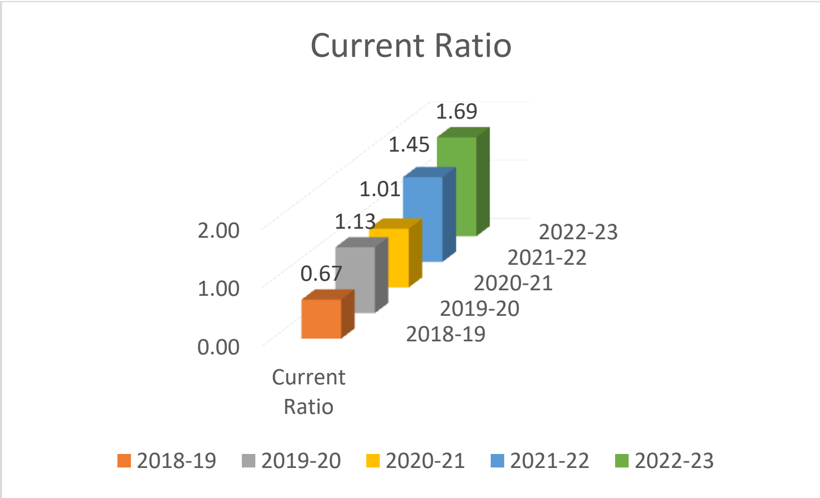
Table 1: Current Ratio

Financial Year	Current Assets (Rs in Lakhs)	Current Liabilities (Rs in Lakhs)	Current Ratio (Times)
2018-19	67700	101150	0.67
2019-20	116500	103500	1.13
2020-21	101500	100900	1.01
2021-22	183000	126400	1.45

2022-23	170500	100700	1.69	

Source: Audited Annual Report

Chart 1: Current Ratio

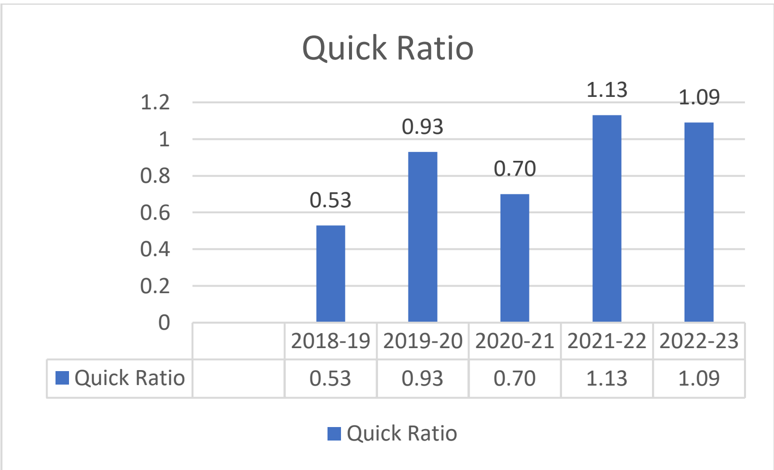


Interpretation: - Over the five-year period, the company's current ratio improved significantly, rising from 0.67 in 2018-19 to 1.69 in 2022-23. This indicates a strengthened liquidity position, with the company becoming increasingly capable of covering its short-term liabilities. Initially facing potential liquidity issues, the company now demonstrates robust financial health and stability, reflecting effective management of its current assets and liabilities.

Table 2 : Quick Ratio

Financial Year	Current Assets (Rs in Lakhs)	Inventory (Rs in Lakhs)	Current Liabilities	Quick Ratio	
2018-19	67700	14000	101150	0.53	
2019-20	116500	20000	103500	0.93	
2020-21	101500	30000	100900	0.70	
2021-22	183000	40000	126400	1.13	
2022-23	170500	60000	100700	1.09	

Chart 2 : Quick Ratio



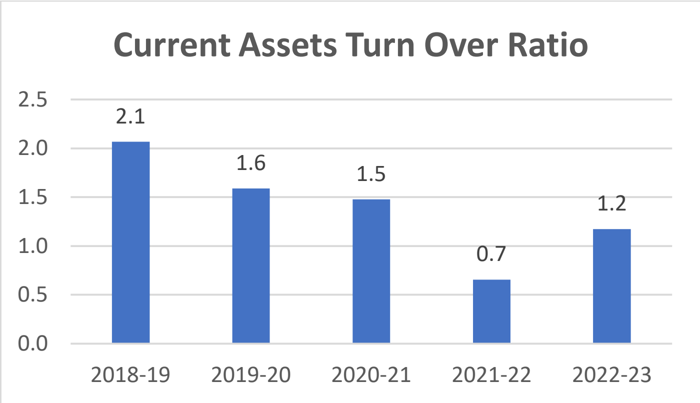
Interpretation: -The quick ratio, which excludes inventory from current assets to assess a company's ability to meet short-term liabilities, shows notable improvement over the five-year period. Starting at a concerning 0.53 in 2018-19, indicating potential liquidity issues, the ratio improved to 0.93

in 2019-20 and 0.70 in 2020-21, reflecting gradual strengthening. By 2021-22, the ratio reached 1.13, and in 2022-23, it settled at 1.09, both above the crucial threshold of 1.

Table 3 : Current Assets Turn Over Ratio

Financial Year	Sales	Current Assets	Current Assets Turn Over Ratio
2018-19	140000	67700	2.1
2019-20	185000	116500	1.6
2020-21	150000	101500	1.5
2021-22	120000	183000	0.7
2022-23	200000	170500	1.2

Chart 3 : Current Assets Turn Over Ratio

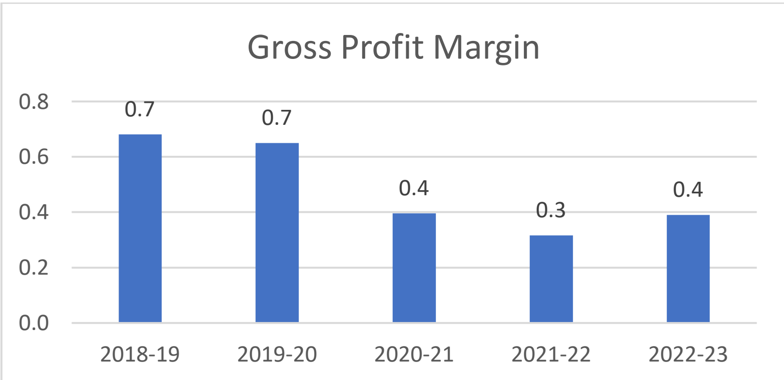


Interpretation: In the table past five-year period, the ratio shows significant fluctuations. In 2018-19, the ratio was 2.1, indicating strong efficiency. However, it decreased to 1.6 in 2019-20 and further to 1.5 in 2020-21, suggesting a decline in asset utilization efficiency. The ratio dropped sharply to 0.7 in 2021-22, indicating poor efficiency as sales fell relative to current assets. By 2022-23, the ratio improved to 1.2, reflecting a partial recovery. Overall, the company's efficiency in using current assets to generate sales has varied, with notable inefficiency in 2021-22 but a trend towards improvement by 2022-23.

Table 4 : Gross Profit Margin

Financial Year	Gross Profit	Sales	Gross Profit Margin
2018-19	95300	140000	0.7
2019-20	120300	185000	0.7
2020-21	59300	150000	0.4
2021-22	38000	120000	0.3
2022-23	78000	200000	0.4

Chart 4 : Gross Profit Margin

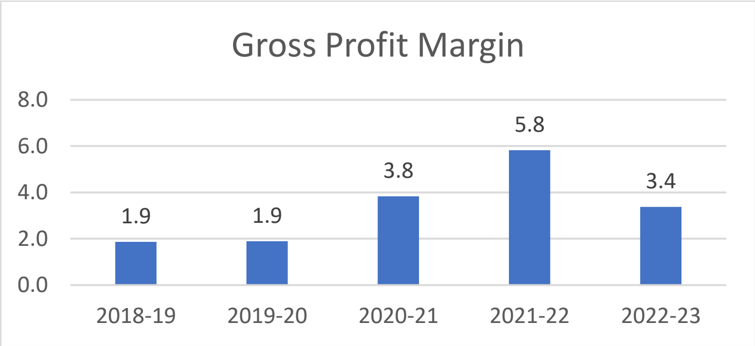


Interpretation: The company's gross profit margin remained strong at 0.7 in 2018-19 and 2019-20, indicating high profitability. However, it declined to 0.4 in 2020-21 and further to 0.3 in 2021-22, reflecting decreased profitability. In 2022-23, the margin improved slightly to 0.4, showing signs of recovery. This trend suggests challenges in maintaining cost efficiency and pricing strategy, with some improvement in the most recent year.

Table 5 : Net Profit Ratio

Financial Year	Sales	Net Sales	Net Profit Ratio
2018-19	140000	74900	1.9
2019-20	185000	97900	1.9
2020-21	150000	39100	3.8
2021-22	120000	20600	5.8
2022-23	200000	59200	3.4

Chart 5 : Net Profit Ratio



Interpretation: The net profit ratio was stable at 1.9% in 2018-19 and 2019-20, indicating consistent profitability. It increased to 3.8% in 2020-21 and peaked at 5.8% in 2021-22, showing improved profitability. In 2022-23, the ratio decreased to 3.4%, reflecting a slight decline but still higher than the earlier years. This indicates significant profitability growth from 2020-21 to 2021-22, with a modest reduction in the most recent year.

Findings:

After proper analysis of the financial position of the kalapataru global alloys pvt ltd Hello with the help of tools. Of financial analysis the following analysis. Things are found during the study.

- in the year 2018 to nineteen two. 2022 to 23 The company current ratio is Increased that is 0.67,1.13,1.01,1.45,1.69.
- In the year 2018 to 19. The Quick ratio is increased that is 0.53,0.93,0.70,1.13,1.09.
- In the year 2000 and 18 to 19 current assets turnover ratio is decreased that is 2.1,1.6,1.5,0.7,1.2.
- In the year 2000 and 18 to 19 gross profit margin decrease that is 0.7,0.7,0.4,0.3,0.4.

Suggestion:

1. The company may go for improve the current assets turnover ratio by means of reducing the length of the operating cycle and effective inventory management short term debt collection period.
2. The company may go for reducing the current liabilities in order to have better working capital turnover ratio by means of effective utilization of working capital to generate of sales.
3. The company should reduce cost of production and spend on more marketing their products to maximize their sales in indigenous market.
4. The company goes for improving the gross profit ratio by the reducing operating expenses.
5. The company may go for improving net profit by means of controlling the operating & non-operating expenditures and reducing the long-term debts interests.

Conclusion :

Financial statement analysis helps to evaluate past performance present conditions and future prospects of the business company's financial position financial statement contains lot of information

After completion of the analysis, it was concluded that, the overall financial performance of the company was good, but they have to concentrate little bit on debtor's turnover ratio (period of debt), which will enhance the liquidity position of the company.

It's suggested to the company to maintain effective cash management effectively current turnover ratio. effectively working capital turnover ratio and improve the gross profit ratio reducing operating expenses improving net profit ratio by controlling operating and non-operating expenses and interest on long term debt so that the company can improve its performing in above said findings &draw backs.

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