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A Study on Ratio Analysis in Multitech Auto Pvt. Ltd

Sangeetha .M[1], Dr. S. Praveen kumar[2]
[1]MBA, Department of Management Studies,
Bharath Institute of Science and Technology,
Selaiyur, Chennai, Tamil Nadu 600 073
[2]Professor and Head, Department of Management Studies,
Bharath Institute of Science and Technology,
Selaiyur, Chennai, Tamil Nadu 600 073

ABSTRACT

This indicates that long-term creditors stand at a risk. The company has slow moving stocks as indicated by its decreasing trend in stock turnover ratio. The working capital is efficiently utilized. Total assets also have been utilized properly. The management should improve the methods of collecting the receivables from debtors. The company should try to improve its efficiency regarding to the management of inventories. The average quick ratio is 2.23 times which is higher than the standard norm (1:1). Through out the study period the quick ratio has been increased from 1.92 in 2008-09 to 3.06 in 2012-13. It shows that the company is maintaining sufficient investments in current assets, which will reduce its profitability. The cash ratio is 0.13 in the year 2008-09 but in the year 2010-11 it has increased to 0.26. However it is below the standard norm .The company has failed in keeping sufficient cash and bank balances in current assets.

1. INTRODUCTION

Financial analysis is a process of identifying the strengths and weakness of the company and establishing the relationship between the Balance sheet and Profit and loss account. So in order to get the better insight about financial strengths and weaknesses of the firm the financial data can be used to analyze the firm past performance and asses in present financial strength. Hence the present study has taken to analyze the financial health of the company.

2. SIGNIFICANCE OF THE STUDY

Management is an art of getting things done with the use of men, material, machinery methods and money in and effective and efficient manner. The functional are, which deals with money, is termed as financial management and this department of finance is treated as the key area in the organization because it includes crucial decisions regarding the flow and utilization of funds.

The optimum decision of financial activities is with the help of relative analysis of the financial statements prepared for time to time by the company namely income statement and balance sheet.

The theoretical knowledge no doubt will bestow the aspirant to improve attitude skills and knowledge but the practical exposure will add a special flavor to excel into the world with high zeal and enthusiasm for the purpose of financial statements will enhance my knowledge in the area of financial decision-making.

It is important to fully understand the ratio analysis function, and organizations should investigate the following areas: workforce plans, historical hiring data, projected ratio analysis activity, real

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costs, ratio analysis process and capabilities, scalability through third parties, reporting, technology, and budget. Assessing ratio analysis capacity can be complicated. Building a ratio analysis operation that can scale to meet the peaks and valleys of everyday business can be even more complicated. Factor in the volatile economy, and the process becomes very difficult. However, companies that carefully investigate these areas have the best chance to build a scalable recruitment operation that can deliver the best possible combination of cost, quality, and speed.

3. OBJECTIVES

PRIMARY OBJECTIVE

- To study the effectiveness of **ratio analysis** Process in Multitech auto pvt.ltd

SECONDARY OBJECTIVE

- To study the various sources of ratio analysis
- To study the factors influencing the ratio analysis procedure .
- To know how the ratio analysis practices effect organization outcomes

SCOPE

- To understand the various sources of ratio provided in the organization
- To helps to analsis the ratio analysis of the organization.

4. RESEARCH METHODOLOGY

Research methodology can be defined as methodical, unbiased and complete investigation of subject matter to establish principles. Investigation of problem to discuss pertinent information to help solve it. The term methodical refers to carefully planned procedures.

RESEARCH DESIGN: Analytical

It is a process of formulating research and other hand it is a process of carrying research by analyzing the data.

SOURCES OF DATA

The collection of data can be classified into two categories

a. Primary data
b. Secondary data

PRIMARY DATA

“The data collected from the first hand information obtained by the investigator by means of observations, face to face questioning, telephone interview and mailing questionnaire is called primary data.”

SECONDARY DATA

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"The data collected from the published sources that is not originally collected for the first time is called secondary data".

- The data required for the study is mainly based on secondary information.
- The required information is collected from the annual reports of Multitech auto pvt. ltd.
- The related data is obtained from the printed and published journals and financial statements of the company.

CURRENT RATIO

YEAR	CURRENT ASSETS (IN LAKHS)	CURRENT LIABILITIES (IN LAKHS)	RATIO (IN TIMES)
2008-2009	1507.28	719.89	2.09
2009-2010	2625.44	1778.11	1.47
2010-2011	10085.5	3848.3	2.62
2011-2012	20129.18	5961.25	3.37
2012-2013	59129.09	18726.53	3.15

TABLE NO 1

Average = 2.54

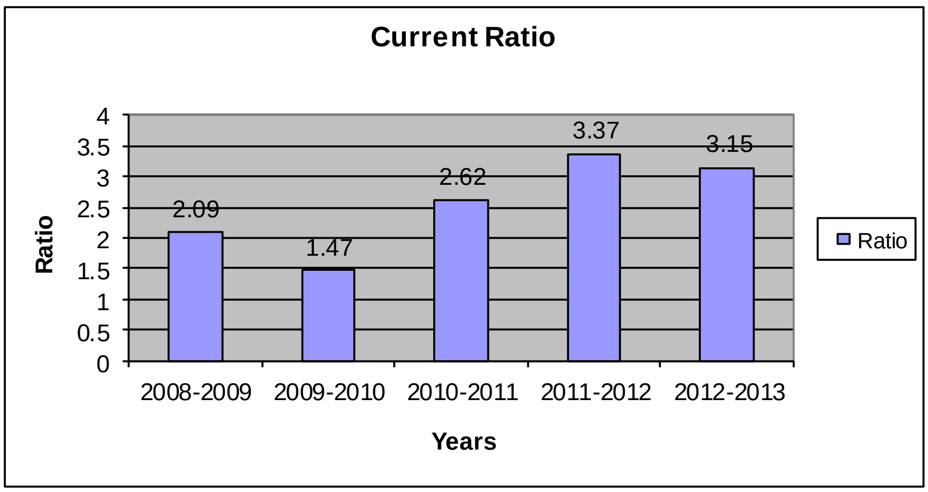

FIG 1

From the above table it is clear that the current ratio was in fluctuating trend throughout its study period. The average current ratio was 2.54, which is higher than the standard norm of 2:1. It can be concluded that the company is able to pay its current liabilities.

QUICK RATIO

YEAR	QUICK ASSETS (IN LAKHS)	CURRENT LIABILITIES (IN LAKHS)	RATIO (IN TIMES)
2008-2009	1384.88	719.89	1.92
2009-2010	1904.29	1778.11	1.07
2010-2011	8702.54	3848.3	2.26
2011-2012	17174.56	5961.25	2.88

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2012-2013	57345.59	18726.53	3.06

Average = 2.23

TABLE NO 2

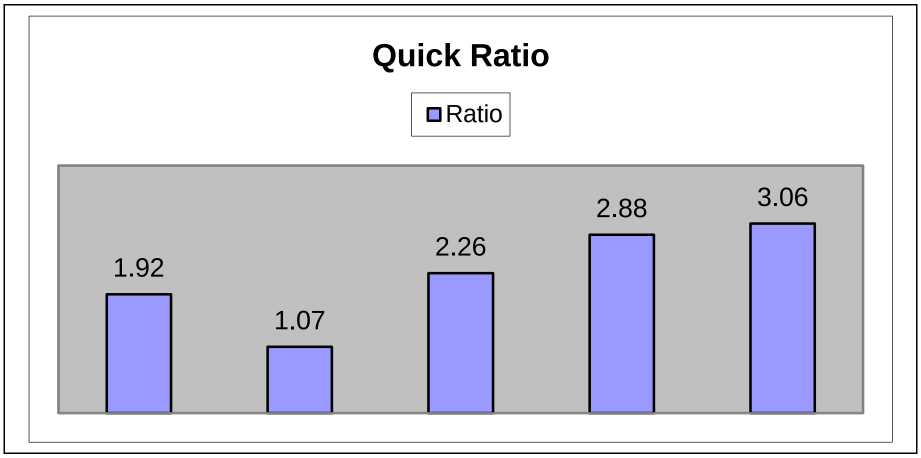

FIG 2

The standard norm of quick ratio is 1:1. The average quick ratio is 2.23 times which is higher than the ideal ratio(1:1). Through out the study period the quick ratio has been increased from 1.92 in 2008-09to 3.06 in 2012-13. It shows that the company is maintaining sufficient investments in current assets.

RETURN ON CAPITAL EMPLOYED

Year	PBIT	Capital employed	Ratio (%)
2008-2009	103.72	1017.76	10.19
2009-2010	313.8	1228.61	25.54
2010-2011	770.16	7211.91	10.67
2011-2012	3549.38	19615.24	18.09
2012-2013	6366.84	54025.09	11.78

TABLE NO 3

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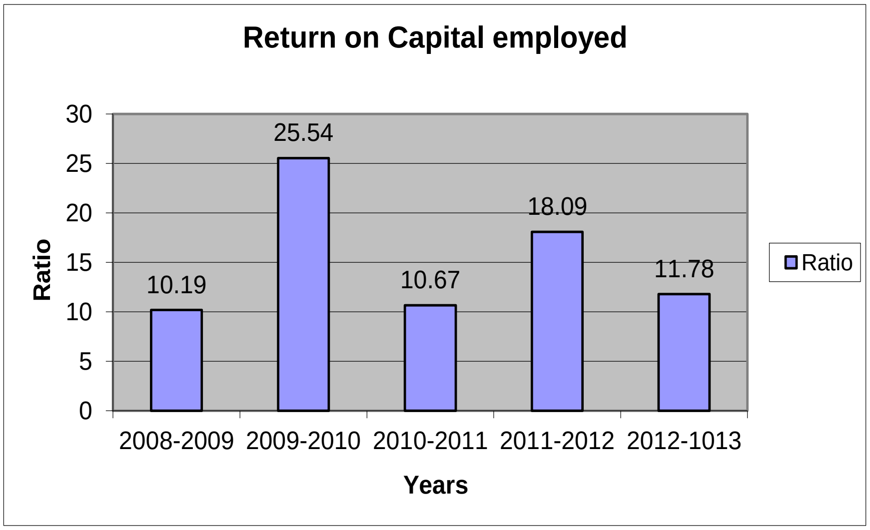

FIG 3

Return on capital employed is showing fluctuating trend. It is due to increase in capital employed.

5. FINDINGS

- The current ratio was in fluctuating trend throughout its study period. The average current ratio was 2.54, which is higher than the standard norm of 2:1. It can be concluded that the company is able to pay its current liabilities.

- The average quick ratio is 2.23 times which is higher than the standard norm (1:1). Through out the study period the quick ratio has been increased from 1.92 in 2008-09 to 3.06 in 2012-13. It shows that the company is maintaining sufficient investments in current assets, which will reduce its profitability.

- The cash ratio is 0.13 in the year 2008-09 but in the year 2010-11 it has increased to 0.26. However it is below the standard norm .The company has failed in keeping sufficient cash and bank balances in current assets.

- The Debt equity ratio has decreased from 1.41 in 2008-09 to 0.59 in 2012-13. This is due to increase in Reserves and surplus.

6. CONCLUSION

The liquidity position of the company is satisfactory and it has greater margin of safety as observed in the increasing trend of current ratio. The debt equity ratio is very high in all the years, that is to say, outsiders funds are more than owner's funds. This indicates that long-term creditors stand at a risk. The company has slow moving stocks as indicated by its decreasing trend in stock turnover ratio. The working capital is efficiently utilized. Total assets also have been utilized properly. The management should improve the methods of collecting the receivables from debtors. The company should try to improve its efficiency regarding to the management of inventories.

7. REFERENCES

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