THINK INDIA (Quarterly Journal)

ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

A Study On Analysis Of Finance

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ABSTRACT:

The primary use of financial analysis is evaluating past performance and predicting future performance both of which are facilitated by comparisons. Therefore, the focus of financial analysis is always on the crucial information contained in the financial statements and depends on the objectives and purpose of such an analysis. Financial statements are to be critically evaluated to measure the profitability, operational efficiency, solvency and growth of business concerns. For this purpose, an individual item of statements is to be studied and the interrelationship with other related figures is to established.

Key Words : Ratio , Financial Management, operational efficiency,

INTRODUCATION:

Financial analysis of the company it is very important to the company and as well as a shareholder also. With the help of financial analysis of the company. we understand what is the current financial position of the company what is the strong and weak area of the company and were company have to be taken effort to grow financial analysis is done with the help of various ratio. Like liquidity ratio, working capital ratio, debt to equity ratio, current ratio, proprietary ratio, etc. ratio can be defined as numerical or an arithmetical relationship between two figures so the ratio is very important for the study of financial analysis of the company. A good financial position is enhancing the good image of the company into the market and as well as in the mind of shareholders also. Proper financial analysis is very important for company financial planning and investing

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ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

REVIEW OF LITERATURE

Garujighyasu:

Focuses on the measurements of financial performance of business group company of non-metrical mineral product industry of India. This study conducted 57 business group of company. It is a product industry glass, cement, gems. His main focuses on to understand performance of the organisation.

Noel capon al (1994):

Publish on a metal analysis on the impact on the strategic planning on financial performance of the organistion.it focused on static planning of company and compared with the exist performance. It study for last five year.

PURPOSE OF STUDY

- To understand the concept of ratio Analysis
- To measure the company profitability with the help of ratio
- To study the evaluation of operational efficiency of the company
- To analysis the overall financial strength of the company

RESEARCH METHODOLOGY

Research methodology: research methodology is the specific procedures or techniques used to identify select, process and analyse information about a topic.

Research means is the search for information. The research includes the survey, data collection.And a methodology is an ordinary instructive method for solving problems, tasks. Methodology refers to the way in which information is found or the way something is done.

DATA ANALYSIS

1.Current ratio:

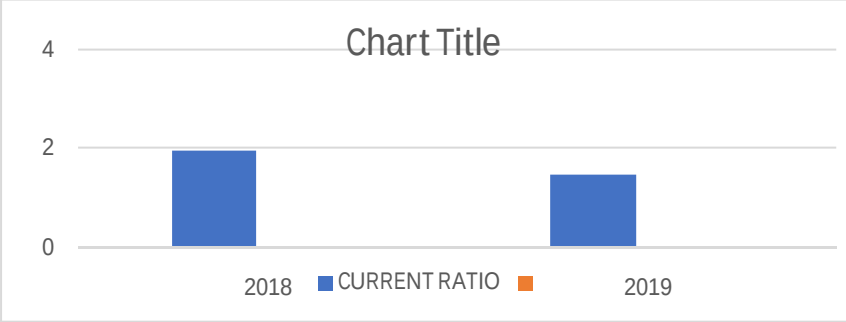
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ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

the current ratio is also known as solvency ratio or working capital ratio. It shows the short-term financial position of the business. The standard current ratio is 2:1

current ratio: formula: current asset / current liability

CURRENT RATIO	2018	2019
CURRENT ASSET	41,75,73,942	64,02,08,915
CURRENT LIABILITY	20,37,69,839	41,03,49,596
	2	1.5



This ratio shows that in 2018the current ratio is highest that is 2. Because of current asset is more than current liabilities .and in 2019 ratio it was 1.5 because of current liabilities is increase more than 2018. So, in 2019 current ratio is low because of reducing the ability to generating cash of the company Standard ratio is: 2:1

2.quick ratio:

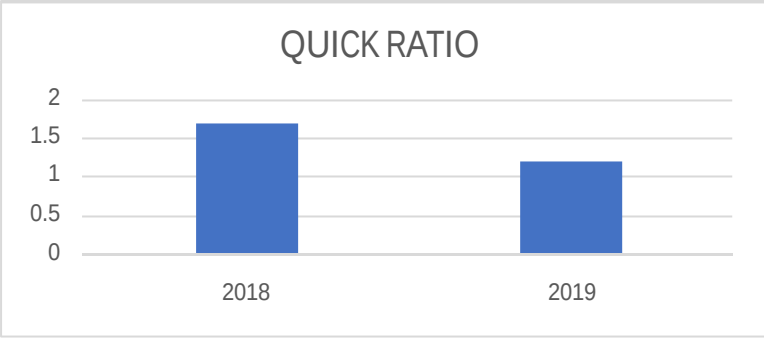
it is also known as acid test ratio or liquidity ratio. It shows the solvency and financial soundness of the business. The standard quick ratio is 1:1

Quick ratio: Formula: liquid asset / liquid liability

QUICK RATIO	2018	2019
LIQUID ASSET	34,77,00,963	49,27,75,239
LIQUID LIABILITY	20,37,69,839	41,03,49,596
	1.70	1.20

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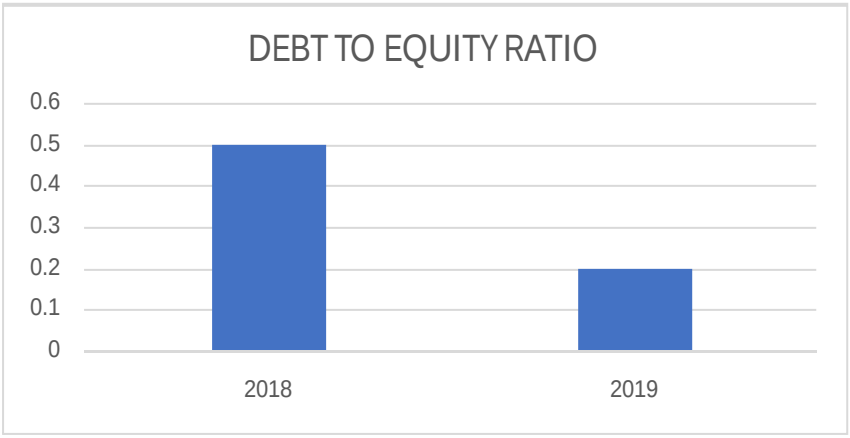
Interpretation: This ratio shown that in 2018 ratio was 1.70. it is highest more than 2019 it means the company has too much cash in reserve and high bills receivable but in 2019 ratio was lowest because of current liability is more than 2018 so it is shown that the company is not utilizing its cash efficiently. But the standard ratio is 1:1 it means the company is in a good position to meet its short-term liabilities

3.debt to equity ratio:

this ratio is calculated to measure the comparative proportion of borrowed fund and shareholders' funds invested in the firm.

DEBT TO EQUITY RATIO: Formula: long term depth / share holder fund

Debt to equity ratio	2018	2019
Long term debt	8,86,88,761	6,13,00,032
Share holder fund	17,20,80,967	22,93,79,838
	0.5	0.2



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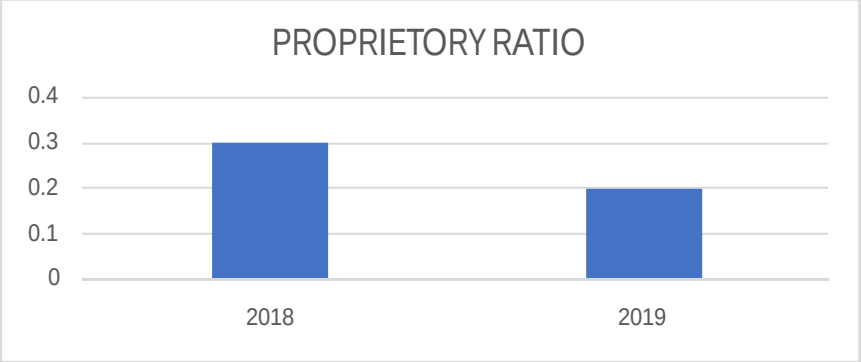
ISSN:0971-1260
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Interpretation: this ratio shown that the debt to equity ratio in2018 is 0.5 and in 2019 ratio is 0.2. So, in 2018 ratio is highest that is indicate that its very risky for company investor and company creditor because of if debt to equity ratio is higher on that time company may not able generate cash to satisfy its debt obligations. so higher debt to equity ratio is very bad for company. but in 2019 ratio is lower side that is indicate that in 2019 company able to generate cash for its obligations.

4.Proprietary ratio: this ratio indicates the proportion of proprietor's fund used for financing the total asset. It suggests that 2/3 to 3/4 of the total asset should be financed through the proprietor's fund while the balance may be financed through borrowing.

PROPRIETARY RATIO: Formula: proprietary fund / total asset

PROPRIETARY RATIO	2018	2019
PROPRIETARY FUND	17,20,80,967	22,93,79,838
TOTAL ASSET	53,06,78,683	76,85,74,226
	0.3	0.2



Interpretation: this ratio is shown that in 2018 ratio is high basically proprietary ratio indicate contribution of shareholders in total capital of the company. So, in 2018 ratio is 03 it indicates that financial position of the company is strong in 2018. But in 2019 ratio was low so it indicates that company is more depending on debts for operation

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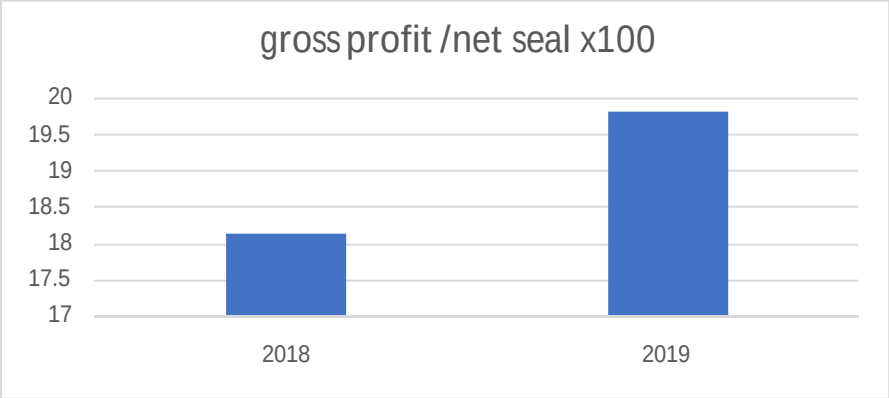
5.Gross profit ratio:

gross profit is the difference between the net sale and the cost of goods sold. This ratio is calculated with the help of the following formula. Gross profit / net sale x 100.

GROSS PROFIT	2018	2019
GROSS PROFIT	14,00,48,591	23,42,98,497
NET SALE	77,26,14,651	118,25,29,862
	18.12	19.18

GROSS PROFIT:

Formula: gross profit /net sale x100



Interpretation: this ratio shown that ratio in 2018 is 18.12 its low because of company net sale in 2018 is low less than 2019. But company increase is gross profit in 2019 is 19.18 its good for company ratio is high because of company was increase is net sale.

6.Net profit ratio:

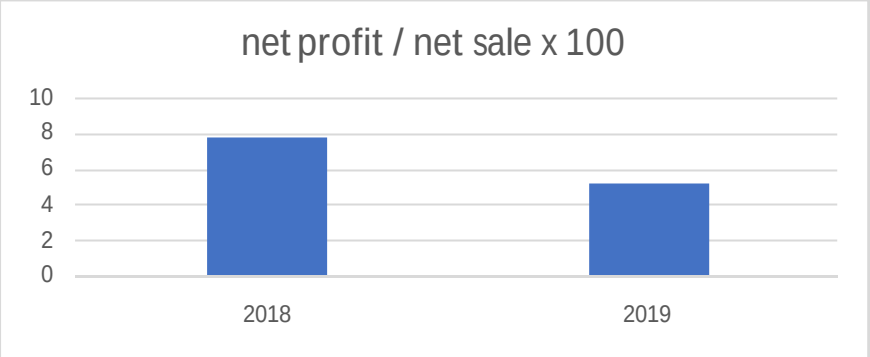
this ratio shows the earnings left for shareholders as a percentage of the net sale. It measures the overall efficiency of all functions of a business firm like production, administration, selling, financing, pricing, and tax management.Net profit/sale x 100

NET PROFIT RATIO	2018	2019
NET PROFIT	5,95,55,577	6,15,09,465
NET SALE	77,26,14,651	118,25,29,862
	7.70	5.2s

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NET PROFIT RATIO: Formula: net profit / net sale x 100



Interpretation: this ratio shown that ratio in 2019 is 5.2 its low less than 2018. Because of we see hare net sale in 2019 is high more than 2018 but ratio is low. Why because of in 2019 company reduce its product price that's why net sale of the company in 2019 is high but the net profit of the company is low.

7.Debtors turnover ratio:

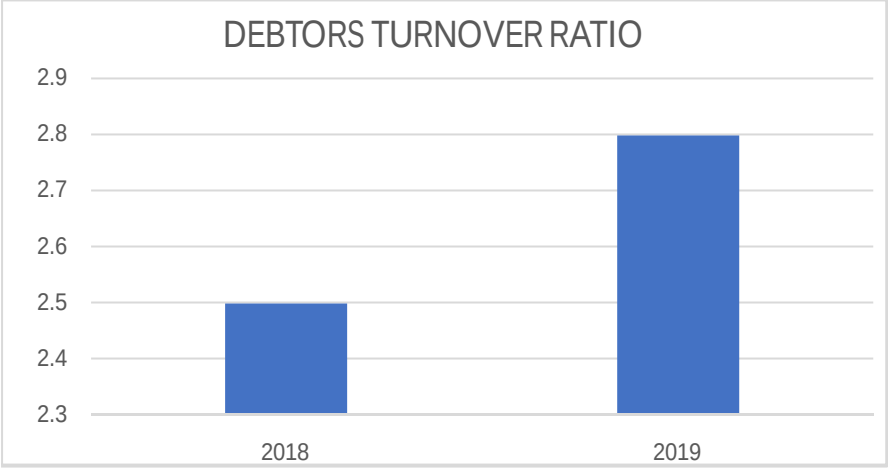
one of the important decisions regarding financial management is about the credit to be granted to the customer. There should be a well define credit policy which should be followed carefully by the firm.

DEBTORS TURNOVER RATIO	2018	2019
NET SALE	77,26,14,651	118,25,29,862
ACCOUNT RECEIVABLE	30,07,27,449	41,33,43,593
	2.5	2.8

DEBTORS TURNOVER RATIO: Formula: net sales / account receivable

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Interpretation: this ratio shown that ratio in 2018 is 2.5 and is 2019 is 2.8 so its indicate that in 2018 ratio is low because net sale and account receivable of company is low than 2019 so it indicate that improve its net sale and account receivable in 2019 therefore in 2019 ratio is high and in 2018 ratio is low because of company enable to making the timely collection of credit

8.**Inventory ratio:**

this ratio establishes a relationship between the cost of goods sold during the year and the average amount of inventory held during the year. This ratio indicates no of the times finished stock is turnover during the accounting year.

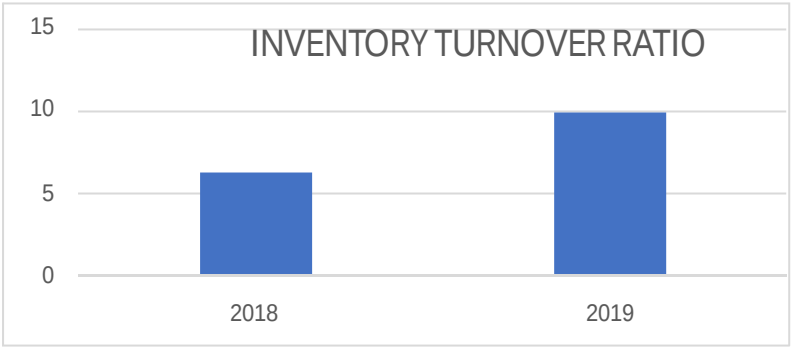
INVENTORY TURNOVER RATIO:

Formula: cost of goods sold / average inventory

INVENTORY TURNOVER RATIO	2018	2019
COST OF GOODS SOLD	68,71,50,614	108,38,92,059
AVERAGE INVENTORY	10,86,53,327	9,99,40,616
	6.3	9.97

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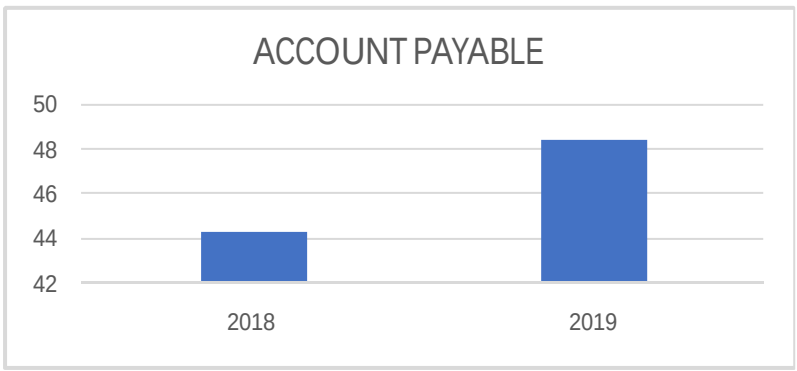
Interpretation: this ratio indicates that ratio in 2018 is 6.3 and in 2019 is 9.97 so it indicates that in 2018 ratio was low and in 2019 is high. So, it shows that numbers of time finished stock are turnover during the years in accounting period if it is high it will show rapid turnover of stock turnover of inventory is generated by customer demand company adopting a low-price strategy for high inventory turnover and increase customer base.

9.**Account payable ratio:**

this ratio indicates the credit period allowed by the firm to his customer. Account payable ratio indicates the credit period allowed by the creditors to firm

ACCOUNT PAYABLE	2018	2019
TRADE PAYABLE	8,34,61,257	14,37,83,723
COST OF GOODS SOLD	68,71,50,614	108,38,92,059
	44.33	48.41

ACCOUNT PAYBLE: Formula: trade payable/ cost of goods sold



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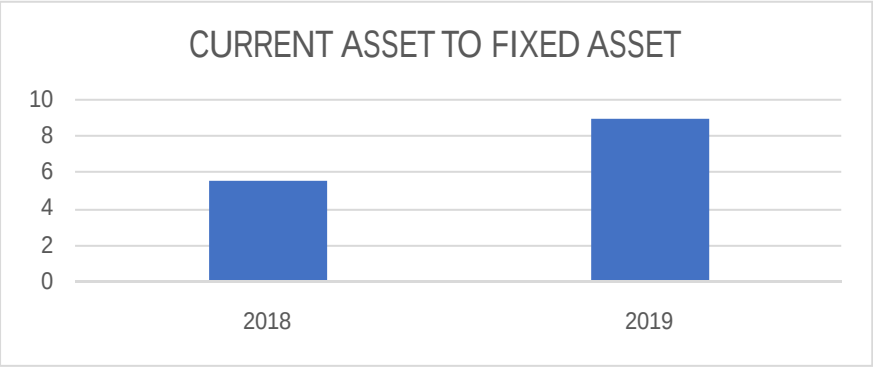
Interpretation: this ratio shown that account payable ratio in 2018 is 44.33 it is low because of company make payment of its liability or its creditors on that time account payable is low its good for company but we see here in 2019 ratio is highest because of company enable to make payment of its liability or its creditors.

10. CURRENT ASSET TO FIXED ASSET RATIO: NET SALES/ NET FIXED ASSET

This ratio indicates the amount of sales realized per rupee of investment in fixed asset. Fixed asset is those assets which are not acquired for resale. In other words, they are meant for utilisation in the business for the purpose of improving its earning capacity.

CURRENT ASSET TO FIXED ASSET	2018	2019
CURRENT ASSET	41,75,73,942	64,02,08,915
FIXED ASSET	7,62,68,954	7,17,10,291
	5.47	8.9

CURRENT ASSET TO FIXED ASSET: Formula: current asset / fixed asset



Interpretation: this ratio shown that ratio in 2019 is 8.9 is high more than 2018. Because of Current assets performing well and management of fixed asset is good because of return of fixed asset is increased in 2019.

FINDING:

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- As per the current ratio, I found that the current ratio of the company is low in 2019 because of reduced ability to generate cash of the company
- As per quick ratio, I found that in 2019 ratio is low because the company is not utilizing its cash efficiently
- As per debt to equity ratio, I found that in 2019 ratio is low because of its good for company, company able to generate cash for its obligation
- As per proprietary ratio, I found that in 2019 ratio was low so it indicates that the company is more depending on debts for operation
- As per current asset to fix asset ratio, I found that in 2019 ratio was low
- As per debtor's turnover ratio in 2019 ratio was high it indicates that improve its net sale and account receivable in 2019
- As per inventory ratio, I found that in 2019 ratio is high it is shown that numbers of time finished stock is turnover during the years in an accounting period if its high it will show rapid turnover of stock turnover of inventory is generated by customer demand company adopting a low-price strategy for high inventory and increase customer base
- As per account payable ratio, I found that in 2019 ratio in 2019 ratio was high because of the company enable to make payment of its liability or its creditors
- As per gross profit ratio, I found that in 2019 ratio was high because the company increased its net sale.

SUGGESTIONS:

1. As per current ratio, I was found that the current ratio of the company is low in 2019 because of reduced ability to generate cash of the company so I suggested to company improve the ability to generate cash of the company
2. As per quick ratio, I was found that in 2019 ratio is low because the company is not utilizing its cash efficiently, I suggested to the company utilizing its cash efficiently
3. As per debt to equity ratio, I was found that in 2019 ratio is low because of its good for company, company able to generate cash for its obligation I suggested to company continuously improve its ability generate cash for its obligation

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ISSN:0971-1260
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4. As per proprietary ratio, I was found that in 2019 ratio was low so it indicates that the company is more depending on debts for an operation I suggest to company establish your own policy for reduced dependency on debts
5. As per current asset to fixed asset ratio I was found that in 2019 ratio was low I suggested to company increase current asset as well as a fixed asset
6. As per debtor's turnover ratio in 2019 ratio was high it indicates that improve its net sale and account receivable in 2019 l suggest its good ratio for a company because the company continuously increase its net sale.
7. As per inventory ratio I was found that in 2019 ratio is high it shown that numbers of time finished stock is turnover during the years in accounting period if its high it will show rapid turnover of stock turnover of inventory is generated by customer demand company adopting a low-price strategy for high inventory and increase customer base I suggested to company its good ratio of company
8. As per account payable ratio, I was found that in 2019 ratio in 2019 ratio was high because of the company enable to make payment of its liability or its creditors I suggested to company try able to increase its sale
9. As per gross profit ratio, I was found that in 2019 ratio was high because of the company increased its net sale I suggested to the company its good ratio for the company
10. As per the net profit ratio, I was found that the company net profit ratio low in 2019. Because of company reduce its product price so I suggested to the company do not reduce product price

CONCLUSION:

Ratio Analysis is the basic tool of financial analysis and Financial analysis itself is an important part of any business planning process as SWOT ,being basic tool of the strategic analysis plays a vital role in a business planning process and no SWOT analysis would be complete without an analysis of companies financial position. So it is very important part of strategic planning for the business Its gross profit, account payable, inventory turnover, and debtors' turnover position is stronger one in the study period .The company is looking for

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ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

good future potential to grab customers via better pre and post services. But profit maximization has to do proper financial planning of all way of expenditure.

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