RESEARCH PAPER ON FINANCIAL PERFORMANCE OF TIPSON CYCLES PRIVATE LIMITED

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Financial performance of Tipson cycles Pvt. Ltd

ABSTRACT

The objective of the company is to do financial performance analysis of Tipson India Private Limited through liquidity, solvency and profitability. The data taken is secondary in nature. The tool used is ratio analysis. The time period of the study is from 2013 – 2014 to 2019 – 2020. The study has all the limitations of secondary data. From the analysis it can be said that the company should work on its profits and increase its fixed assets but the overall performance of the company is satisfactory.

Keywords: financial performance, ratio analysis, liquidity, solvency and profitability

INTRODUCTION

Financial performance analysis is the measurement of the strengths and weaknesses of an organization. To know the financial performance it is necessary to study the financial statements. It is because financial statements are the language of the business. The analysis and interpretation of financial statements reveal each and every aspect regarding the well-being financial soundness, operational efficiency and credit worthiness of the concern concerned (Kennedy and Muller). The financial statement conveys the present condition of the business and helps to plan the foreseeable future. Financial statement analysis helps to know the short term liquidity and long term solvency. Likewise in case of any weak spots the necessary actions can be taken so that any damage to the organization can be avoided. Financial Statements are the end product of financial accounting prepared by the accounts of a business enterprise that purport to reveal the financial position of the enterprise, the result of its recent activities and an analysis of what has been done with earnings (Smith and Ashburne).

A financial statement includes balance sheet and profit and loss statement. A balance sheet consists of only these three accounts. It conveys the user the financial position the organization on the specified date. It is also known as position statement. According to The American Institute of Certified Public Accountants, the balance sheet is defined as a tabular statement or summary of balances (debits and credits) carried forward after an actual and constructive closing of books of account and kept according to principles of accounting. The statement of profit and loss consists of all the expenses and incomes. It indicates the earnings of the organization in the accounting year. It shows the financial performance of the organization. It is also known as the income statement. According to Prof. Carter, —a profit and loss account is an account into which all gains and losses are collected in order to ascertain the excess of gains over the losses or vice versa.

PROFILE OF THE COMPANY

Tipson Cycles Private Limited was established in the year 1972. It is a manufacturer exporter unit, which has grown h under the leadership of Mr. Iqbal Singh Pahwa who is the director and the founder of Tipson Brand. It was recognized as a Govt. Recognized Export House in the year 1996 and achieved distinction of a Trading House in the year 2000.

The company deals with the manufacturing bicycles and bicycle parts. The company sells its products within the country and outside the country. The company ensures high quality of the products.

OBJECTIVES

1. To measure the financial performance of Tipson Cycles Private Limited.
2. To do the liquidity analysis of the company.
3. To do the long term solvency analysis of the company.
4. To do the profitability analysis of the company.

NEED OF THE STUDY

This study focuses on the financial performance of Tipson India Private Limited. The balance sheet and profit and loss statement just provide the absolute figures of the activities of the company. To get the better picture of the company it is important to do the further analysis. Ratio analysis will serve the purpose of the same. Through this analysis the user will get the better picture about the performance of various years. This study aims to evaluate the profitability, liquidity and solvency of this industry. Likewise the future prospects of the industry are known.

RESEARCH METHODOLOGY

This study is conducted to know the financial performance of Tipson Cycles Private limited. Through the financial analysis profitability, solvency and liquidity is intended to be known. For this, the tool of ratio analysis is planned to be used. Ratio analysis is specifically used technique of analyzing the financial performance of a company. In this various items of balance sheet and profit and loss statement are compared with each other and through their relationship various analyses is done. For this study the data from the financial year 2013 – 2014 till 2019 – 2020 is supposed to be taken. The data used is secondary in nature as it is taken from the balance sheet and profit and loss statement.

LIMITATIONS OF THE STUDY

1. The study does not use any primary data.
2. The study has all the inherited limitations of the secondary data.
3. There are no inter firm or any comparisons with the industry as only one company is taken for the study.
4. In this study the data is taken only from the balance sheet and profit and loss account.

REVIEW OF LITERATURE

L.Nithya, & Dharshini, D. (2019) This paper is written with the intent to study the growth of top five textile industries in India namely Welspun India Ltd , Vardhman Ltd, Alok industry Ltd, Raymond Ltd and Arvind mills Ltd. For this the secondary data is taken from the year 2012 to 2017. The tool used is growth rate analysis. The study has the inherent limitations of secondary data and the tools for analysis. The researcher finds out that the maximum growth rate is of Welspun India Ltd whereas Vardhman Ltd has lowest growth rate. The researcher concludes that the there is remarkable difference between the performance of different companies. This study is very useful for financial management in textile industry.

R.Malini, & A.Meharaj Banu. (2019) The major objectives of the study are to analyze the financial position of the Indian Tobacco Corporation Limited. The researcher wants to know efficiency of financial operations and profitability position. The researcher aims to provide the suggestions for improvement. The secondary data from 2013 to 2017 is taken. The tool used is ratio analysis. The result of the study is that the company does not maintain ideal current ratio and has low capital gearing ratio. The sales have increasing trend and so as profits. The researcher concludes that the overall financial position of the company is satisfactory. The company needs to work on optimum utilization of inventory and resources.

P.Ganapathi, M.Kulandaivelu, & P.Keerthana. (2018) The objective of this study is to evaluate the financial performance of Tamilnadu Newsprint And Paper Limited (TNPL) Company. The researcher also intends to study the financial position, profitability and give suggestions on analysis of financial statements. The researcher uses analytical research design and secondary data. The tool used is ratio analysis. The time period of the study is from 2012 to 2017.The researcher suggests increasing the profits and improving the liquidity position. The researcher concludes that there were losses during the period of study and company should improve its asset utilization.

C., N. Nishane, & V., N. Bhalerao. (2017) The objective of the research paper is to study the financial ratio analysis of selected construction companies, compare their results and give suggestions on the performance of companies. The

researcher has chosen three companies that are HNB Engineers Pvt. Ltd., Gondwana Engineers Ltd. and Evergreen India Pvt. Ltd. The researcher has performed comparative analysis, ratio analysis and quantitative analysis to perform the study. The time period of the study is from 2011 to 2016. The researcher concludes that ratio analysis is very useful and has provided the average results of five years of study.

Subbaiah, M. S. M., K.Indira, C.Jayasudha, & P.Aswini. (2017) The objective of this paper is to study the role of ratio analysis in financial statements and to have knowledge of the types of ratios used in financial statements analysis. This study is conceptual based and data used is secondary in nature. The limitation of the study is that only secondary data is used. Ratio analysis use only quantitative data and could be falsified by inflation. The researcher concludes that ratio analysis helps to know the strengths, weaknesses, and financial position, past performance and future prospects. Therefore it is helpful in planning, decision making, controlling and forecasting.

Mahajan, N., & Yaday, A. (2016) In this research paper the researcher does the financial analysis of India's leading graphite electrode plant. The objective of this paper is to study the financial factors that influence the decision making of a company. The researcher has used three tools for analysis namely cash flow analysis, fund flow analysis and ratio analysis to know the financial performance from 2007 to 2012. The researcher finds out that the company maintains low liquidity and gives regular dividend to the shareholders. In the year 2012 the company had maximum liquidity. The profits of the company were also worthy. The researcher concludes that the company performance was good.

M. RENU, DR. S. SEKAR (2014) The main objective of this research paper is to study the financial performance of Standard Chartered Finance Limited. The researcher also aims to analyze the financial statements, profitability and measures the utilization of various assets. The time period of the study is 2003-2007. The tools for analyses used are comparative financial statements, common size statements, trend analysis and ratio analysis. The researcher suggests the better utilization of human resource and adopts the latest technology. The company should strengthen the financial status. The researcher concludes that the short term assets are well managed but company should work on long term financial position.

Manish Roy Tirkey & Khilkhal, N. S. (2014) In this research paper the researcher aims to study and compare the financial performance of ONGC Ltd. For this study the researcher has used the secondary data of four years that is from 2010 to 2013. The tool used for analysis is ratio analysis. The researcher has used 8 ratios namely- current ratio, debt equity ratio, inventory turnover ratio, fixed asset turnover ratio, net operating profit per share, return on capital employed, dividend payout ratio and earnings per share. The researcher concludes that in the year 2010 the performance was better as compared to other years. In the following years the performance was not satisfactory.

DATA ANALYSIS

1. LIQUIDITY RATIOS

Liquidity means conversion of assets into cash. Liquidity ratios are calculated to know the short term solvency of the company. In this current assets and current liabilities are given foremast importance. In this various items are compared to know whether company can meet its working capital needs.

A. CURRENT RATIOS

The current ratio is used to measure the short term solvency of the company. There are two components considered in the current ratio namely current assets and current liabilities. It measures in what ratio are the current assets and current liabilities exist in the company. The ideal ratio generally considered is 2:1. Current ratio represents the margin of safety for creditors. A high current ratio may indicate carelessness of management as the resources are kept idle. On the other hand low current ratio indicates that a company does not have enough to meet short term needs and it faces liquidity crisis. The formula for calculating current ratio is:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

YEARS	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2013-2014	2013.756	1387.038	1.451839099
2014-2015	2132.603	1720.706	1.239376744
2015-2016	1816.713	1385.881	1.31087229
2016-2017	1550.261	1027.055	1.509423546
2017-2018	2536.7	2398.02	1.057831044
2018-2019	2890.44	2160.16	1.338067551
2019-2020	3071.33	2223.31	1.381422294

From the above data it can be said that the current ratio of Tipson Cycles private limited have remained almost constant from the financial year 2013 – 2014 to 2019 – 2020. The ratio in the year 2013 – 2014 was 1.4518 and in the year 2019 – 2020 was 1.3814. It indicated that the ratio maintained by the company is lower than the ideal current of 2:1. The company should increase its current ratio because the ratio maintained could anytime lead to the liquidity crisis. In case the there is any blockage in the inventory or the debtors do not pay money as expected then this will lead to the problems in the management of the short term needs. The company should at least move to the ratio where current assets are at least 1.5 times more than current liabilities. But instead the current ratio shows the decreasing trend except the year 2016 – 2017.

B. QUICK RATIO

Quick ratio is used to calculate the assets that can be converted very easily or takes lesser time to convert into cash. Therefore, while calculating quick ratio current assets are considered where inventory is not included in it and it is compared to the current liabilities. The purpose of calculating this ratio is to know how many such assets are available with the company that can be used to meet the current liabilities that have to be immediately met. The ideal ratio for calculating quick ratio is 1:1. So it can be said that in current assets one part should be of inventory and other part of other assets. The formula for calculating quick ratio is:

$$\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}}$$

YEARS	CURRENT ASSETS	INVENTORY	QUICK ASSETS	CURRENT LIABILITIES	QUICK RATIO
2013-2014	2013.756	500.702	1513.054	1387.038	1.090852594
2014-2015	2132.603	507.255	1625.348	1720.706	0.944582049
2015-2016	1816.713	522.064	1294.649	1385.881	0.934170394
2016-2017	1550.261	570.506	979.755	1027.055	0.953945991
2017-2018	2536.7	625.76	1910.94	2398.02	0.796882428
2018-2019	2890.44	1118.53	1771.91	2160.16	0.820267943
2019-2020	3071.33	1338.21	1733.12	2223.31	0.779522424

From the above analysis it can be said that the quick ratio has a decreasing trend except the year 2018 – 2019. In the year 2013 – 2014 the quick ratio was 1.0909 and in the year 2019 -2020 the quick ratio was 0.7795. It shows that in starting year of the study the company had its quick ratio near to the ideal ratio but with time the company has decreased its quick ratio. But it is not decreased to a level that it is not acceptable. It can be said that the company has maintained nearly good quick ratio.

C. NET WORKING CAPITAL RATIO

In this ratio, the working capital is compared the capital employed. Working capital is difference of current assets and current liabilities. Capital employed is the sum of owner capital and long term liabilities. The ratio indicates the reservoir of funds. It tells the ratio of short term funds available in the company to the money invested in the company by the owner and the outsiders for long term. The formula for calculating the net working capital ratio is:

$$\text{Net working capital ratio} = \frac{\text{Net working capital}}{\text{Capital employed}}$$

YEARS	CURRENT ASSETS	CURRENT LIABILITIES	WORKING CAPITAL	SHARE CAPITAL	RESERVES AND SURPLUS	NET WORTH	TOTAL DEBT	CAPITAL EMPLOYED	NET WORKING VAPITAL RATIO
2013-2014	2013.756	1387.038	626.718	96	1118.514	1214.514	0	1214.514	0.516023693
2014-2015	2132.603	1720.706	411.897	96	1167.584	1263.584	0	1263.584	0.325975163
2015-2016	1816.713	1385.881	430.832	96	1218.555	1314.555	0	1314.555	0.327739805
2016-2017	1550.261	1027.055	523.206	96	1274.958	1370.958	0	1370.958	0.381635324
2017-2018	2536.7	2398.02	138.68	96	1358.135	1454.135	0	1454.135	0.095369412
2018-2019	2890.44	2160.16	730.28	96	1418.7	1514.7	78.95	1593.65	0.458243655
2019-2020	3071.33	2223.31	848.02	96	1475.57	1571.57	158.52	1730.09	0.490159471

The above data in the table shows that the net working capital ratio varies from 0.3 to 0.5 from the financial year 2013 – 2014 to 2019 – 2020. It indicates that the money that is invested in the company by the owner and the outsiders is used only 0.3 to 0.5 for the short term requirements and rest of the money that is more than 99% is used for the long term needs of the business. It indicates that the company is working towards the new assets creation and other long term investments that will give those fruit for the longer time.

D. CASH RATIO

In this ratio the cash and cash equivalents are compared to the current liabilities. This is the most conservative ratio. Under this ratio cash and marketable securities are considered. Cash and cash equivalents are the most liquid assets of the company. This requires no time and conversion process to pay the immediate current liabilities. The companies are suggested to maintain optimum cash ratio except in the case of reserve borrowings. The formula for calculating cash ratio is:

$$\text{Cash ratio} = \frac{\text{Cash and cash equivalents}}{\text{Current liabilities}}$$

YEARS	CASH AND CASH EQUIVALENTS	CURRENT LIABILITIES	CASH RATIO
2013-2014	9.552	1387.038	0.006886617
2014-2015	15.675	1720.706	0.009109633
2015-2016	9.085	1385.881	0.006555397
2016-2017	64.87	1027.055	0.063161174
2017-2018	15.56	2398.02	0.006488686
2018-2019	20.6	2160.16	0.009536331
2019-2020	62.56	2223.31	0.028138226

The above data in the table shows that there is the increasing trend of the cash ratio except for the year 2017 – 2018. The cash reserves of the company have increased from 0.006 to 0.02. In the latest year of the study the company has maintained 2% cash and cash equivalents as compared to the current liabilities. It is generally said that cash and cash equivalents should be approximately 4% of the current liabilities. To that point the company should increase its cash reserves for any immediate current liability. The company seems to be working on it as cash reserves have increased but the company need to increase it by 2% more.

E. INTERVAL MEASURE

Interval measure is used to indicate the operating expenses that a company can undertake for the number of days if the cash is not received. For the analysis the quick assets is compared to the average daily operating expenses. As it indicates that the quick assets are enough to meet expenses for long period of time.

$$\text{Interval measure} = \frac{\text{Quick assets}}{\text{Average daily cash operating expenses}}$$

YEARS	CURRENT ASSETS	INVENTORY	QUICK ASSETS	COST OF GOODS SOLD	OTHER OPERATING EXPENSES	TOTAL OPERATING EXPENSES	AVERAGE OPERATING EXPENSES	INTERVAL MEASURE	INTERVAL MEASURE ROUND OFF
2013-2014	2013.756	500.702	1513.054	5515.468	717.437	6232.905	17.313625	87.3909421	88
2014-2015	2132.603	507.255	1625.348	5422.541	755.523	6178.064	17.16128889	94.71013573	95
2015-2016	1816.713	522.064	1294.649	4584.548	540.115	5124.663	14.235175	90.94717838	91
2016-2017	1550.261	570.506	979.755	4294.355	488.15	4782.505	13.28473611	73.75042995	74
2017-2018	2536.7	625.76	1910.94	5374.1	600.64	5974.74	16.5965	115.1411442	116
2018-2019	2890.44	1118.53	1771.91	4840.37	753.1	5593.47	15.53741667	114.0414805	115
2019-2020	3071.33	1338.21	1733.12	5314.47	762.45	6076.92	16.88033333	102.6709583	103

This ratio indicates for how many days a company can work without the inflow of cash. From the data it can be seen that the ratio has an increasing order. It indicates that with time the short term resources have increased and company can survive for more than 3 months in case the creditors does not payback. It means that the company has worked on its short term policies and created reserves in case of crisis. It indicates the efficiency of the management.

2. **LEVERAGE RATIOS**

Leverage refers to the debt part of the capital. Leverage ratios are calculated to know the capital mix of the company. From this mix the analysis are done to know if the company can bear the risk aroused from the debt financing.

A. **DEBT EQUITY RATIO**

This ratio indicates that in what fraction the borrowed capital and the owner's capital are being invested in the business. The ideal ratio for debt equity ratio is 1:1. The higher ratio indicates that the borrowed funds are more as compared on owners funds and there is a huge chance that the company goes into debts in case of losses. In case there is no debt than the company cannot take the benefit of leverage. Therefore, it is advised that a company should always maintain a balance of debt and equity. The formula to calculate this ratio is:

$$\text{Debt equity ratio} = \frac{\text{Total debt}}{\text{Net worth}}$$

YEARS	SHARE CAPITAL	RESERVES AND SURPLUS	NET WORTH	TOTAL DEBT	DEBT EQUITY RATIO
2013-2014	96	1118.514	1214.514	0	NP
2014-2015	96	1167.584	1263.584	0	NP
2015-2016	96	1218.555	1314.555	0	NP
2016-2017	96	1274.958	1370.958	0	NP
2017-2018	96	1358.135	1454.135	0	NP
2018-2019	96	1418.7	1514.7	78.95	19.18556048
2019-2020	96	1475.57	1571.57	158.52	9.914017159

This ratio is calculated to know the ratio of borrowed funds to the owner's funds. But for the initial years of the study that is from 2013 – 2014 to 2017 – 2018 there were no borrowed funds. The company used only shareholders funds for any expense or any assets of the company. The benefit of it is that there remains a sense of security in case the company faces any financial crisis. But from the cost point of the company cannot take the benefit of the borrowed funds. But in the year 2018 – 2019 and 2019 – 2020 the company has made use of borrowed funds which is very low as compared to net worth. Hence, it can be said that the company follows the conservative approach.

B. **TOTAL DEBT RATIO**

The purpose of the calculation of this ratio is to know the part of the capital that is borrowed from the outsiders. Excess of borrowed funds would mean the company is dependent more on the creditors. If company faces any rough time and is not able to meet the interest liability then company would fall into debt trap. On the other hand, if the borrowed funds are low then it could not take the advantage of good economic period. Therefore, the companies should a trade – off of risk and return. The formula to calculate this ratio is:

$$\text{Total debt ratio} = \frac{\text{Total debt}}{\text{Capital employed}}$$

YEARS	SHARE CAPITAL	RESERVES AND SURPLUS	NET WORTH	TOTAL DEBT	CAPITAL EMPLOYED	TOTAL DEBT RATIO
2013-2014	96	1118.514	1214.514	0	1214.514	0
2014-2015	96	1167.584	1263.584	0	1263.584	0
2015-2016	96	1218.555	1314.555	0	1314.555	0
2016-2017	96	1274.958	1370.958	0	1370.958	0
2017-2018	96	1358.135	1454.135	0	1454.135	0
2018-2019	96	1418.7	1514.7	78.95	1593.65	0.049540363
2019-2020	96	1475.57	1571.57	158.52	1730.09	0.091625291

From the above data it is clear that the company do not had any long term borrowings from the financial year 2013 – 2014 to 2017 – 2018. It was totally a owner's fund company. In the year 2018 – 2019 and 2019 – 2020 company used borrowed funds which are 0.0495 and 0.0916 times respectively of the capital employed. It indicates that the company has the major base of borrowings of the shareholders funds. Though the company does not take the benefit of borrowed funds but they do not have any chances to fall in debt trap.

C. **FIXED ASSETS TO NET WORTH RATIO**

This ratio establishes the relationship between the fixed assets and net worth. The purpose of this ratio is to know how many fixed assets are financed by the owner's capital. Generally the reserve funds and retained earnings are created out of profits to purchase any fixed assets. There is no rule of thumb for this ratio but 60% to 65% is considered satisfactory. If the ratio is more than 100% then it indicates that the assets are financed by the outsiders. The formula of this ratio is given below:

$$\text{Fixed assets to net worth ratio} = \frac{\text{Fixed assets}}{\text{Net worth}}$$

YEARS	FIXED ASSETS	SHARE CAPITAL	RESERVES AND SURPLUS	NET WORTH	FIXED ASSETS TO NET WORTH
2013-2014	587.796	96	1118.514	1214.514	0.48397631
2014-2015	851.698	96	1167.584	1263.584	0.67403354
2015-2016	883.724	96	1218.555	1314.555	0.67226096
2016-2017	847.757	96	1274.958	1370.958	0.61836832
2017-2018	884.68	96	1358.135	1454.135	0.60838918
2018-2019	863.36	96	1418.7	1514.7	0.56998746
2019-2020	882.07	96	1475.57	1571.57	0.56126676

This ratio finds out that how much fixed assets are purchased from the retained earnings and the reserve capital. From the data it can be analyzed that approximately the ratio lies between 45% - 68%. It can be said that the assets are mostly purchased using the shareholders fund which is a good sign. It is because it gives safety to the company that there fixed asset base does not depend on the money given by the outsiders.

D. CAPITAL EMPLOYED TO FIXED ASSETS RATIO

The purpose of this ratio is to know the investment of funds of the money raised through the long term borrowings and the owner's funds. It is a known fact that the fixed assets are purchased from the long term funds. Therefore it is important to know what part of the funds is used for fixed assets and current assets. A company with optimum use of its funds invests 75% of its money in the long term assets. A very high ratio indicates that the long term assets are used for short term requirements. The ratio less than 1 signifies that current assets are used to purchase the fixed assets. The formula to calculate this ratio is:

$$\text{Capital employed to fixed assets ratio} = \frac{\text{Capital employed}}{\text{Fixed assets}}$$

YEARS	SHARE CAPITAL	RESERVES AND SURPLUS	NET WORTH	TOTAL DEBT	CAPITAL EMPLOYED	FIXED ASSETS	CAPITAL EMPLOYED TO FIXED ASSETS RATIO
2013-2014	96	1118.514	1214.514	0	1214.514	587.796	2.06621685
2014-2015	96	1167.584	1263.584	0	1263.584	851.698	1.48360569
2015-2016	96	1218.555	1314.555	0	1314.555	883.724	1.4875176
2016-2017	96	1274.958	1370.958	0	1370.958	847.757	1.61715916
2017-2018	96	1358.135	1454.135	0	1454.135	884.68	1.64368472
2018-2019	96	1418.7	1514.7	78.95	1593.65	863.36	1.84586963
2019-2020	96	1475.57	1571.57	158.52	1730.09	882.07	1.96139762

The purpose of this ratio is to know how much capital is invested in the fixed assets. The ratio has almost been same. It indicated that the company has invested 50% - 60% of its money in the fixed assets. It can be said that the company has fairly used money in the short term assets. The reason can be that the company wants to work on the expansion. If that is not the case then company should increase its fixed assets by 10% - 15%. So that there can be better balance of the assets.

E. FIXED ASSETS TO CURRENT ASSETS RATIO

There is no ideal ratio for this ratio. It differs from company to company and industry to industry. There are no standards laid on this ratio. The high ratio would indicate that there is slack in trading while a low ratio would indicate that the fixed assets are used to meet short term needs. From this it can be known that the business is expanding as stock and debtors would increase. It can also be said that profits are escalating. The formula for calculating fixed assets to current assets ratio is:

$$\text{Fixed assets to current assets ratio} = \frac{\text{Fixed assets}}{\text{Current assets}}$$

YEARS	FIXED ASSETS	CURRENT ASSETS	FIXED ASSETS TO CURRENT ASSETS
2013-2014	587.796	2013.756	0.29189038
2014-2015	851.698	2132.603	0.39937016
2015-2016	883.724	1816.713	0.48644117
2016-2017	847.757	1550.261	0.54684792
2017-2018	884.68	2536.7	0.34875232
2018-2019	863.36	2890.44	0.29869501
2019-2020	882.07	3071.33	0.2871948

This ratio is the indication of the investment in the fixed assets to current assets. There are no hard and fast rules of investment. It differs from the objectives of company to company. From the above data it can be seen that the investment in the current assets is more than the fixed assets. This indicates that the company is working to increase the sales. Therefore, it is increasing the current assets. The company is undergoing the expansion. This is the only situation where the more investment in the current assets is justified.

F. NET WORTH TO TOTAL ASSETS RATIO

This ratio is also known as proprietary ratio or equity ratio. This ratio establishes the relationship between shareholders funds and the total assets. From this ratio it can be known that how many assets are funded from the owner's capital. In case of any loss of assets the creditor's interest is not affected if this ratio is high. A high ratio indicates the better position of the company and vice – versa. The formula is given below:

$$Net\ worth\ to\ total\ assets\ ratio = \frac{Net\ worth}{Total\ assets}$$

YEARS	SHARE CAPITAL	RESERVES AND SURPLUS	NET WORTH	TOTAL ASSETS	NET WORTH TO TOTAL ASSET RATIO
2013-2014	96	1118.514	1214.514	2601.552	0.4668421
2014-2015	96	1167.584	1263.584	2984.301	0.423410373
2015-2016	96	1218.555	1314.555	2700.437	0.486793434
2016-2017	96	1274.958	1370.958	2398.018	0.571704633
2017-2018	96	1358.135	1454.135	3421.38	0.425014176
2018-2019	96	1418.7	1514.7	3753.8	0.403511109
2019-2020	96	1475.57	1571.57	3953.4	0.397523651

Assets are the items in which companies invest to get the income in the future. It can be fixed assets or current assets. This ratio shows the money of the owner used in purchasing the total assets of the company. From the above data it can be known that in the given years the company has used 45% - 60% of the owner's capital to purchase the assets. This ratio should be increased to 75%. Then it will indicate a better position of the company.

G. TOTAL DEBT TO TOTAL ASSETS RATIO

The purpose of this ratio is to find out debt paying capacity of the company. The ratio tells us how much assets are purchased from the borrowed funds. This can be safety for the creditors. In case of liquidation creditors are sure that they can recover the money by selling those assets. Therefore, lower the ratio better it is for the company. The company could be safe in case of high ratio if the company has stable earnings throughout the year rather than cyclic or seasonal earnings. The formula of this ratio is:

$$Total\ debt\ to\ total\ assets\ ratio = \frac{Total\ debt}{Total\ assets}$$

YEARS	TOTAL DEBT	TOTAL ASSETS	TOTAL DEBT TO TOTAL ASSET RATIO
2013-2014	0	2601.552	0
2014-2015	0	2984.301	0
2015-2016	0	2700.437	0
2016-2017	0	2398.018	0
2017-2018	0	3421.38	0
2018-2019	78.95	3753.8	0.021032021
2019-2020	158.52	3953.4	0.040097132

From the above data it can be known that from 2013 – 2014 to 2017 – 2018 the company have not used any borrowed funds in the assets. In the year 2018 – 2019 and 2019 – 2020 the company has taken the money from the outsiders for the assets. it is also very low. It is satisfactory from the point of view of security. The creditors cannot claim on the assets and moreover the company can easily come out of any crisis because the dependence on the outsiders is very less.

H. NET COVERAGE RATIO

The purpose to calculate this ratio is to know interest paying capacity of the company from the profit of the current year. If any company goes for borrowed funds where interest is less than the earnings then it is termed as trade on equity. The earnings of the company should be stable and from the current operations rather than the discontinued operations. The excess ratio indicates that the company follows the conservative approach and do not make best use of borrowed funds. The low ratio indicated that there are inefficient operations. The limitation of this ratio is that it does not consider repayment of loan. The formula for calculation of this ratio is:

$$\text{Net coverage ratio} = \frac{\text{EBITDA}}{\text{Finance cost}}$$

YEARS	PROFIT BEFORE TAX	FINANCE COST	DEPRICIATION	EBITDA	NET COVERAGE RATIO
2013-2014	76.617	33.761	41.828	152.206	4.508338023
2014-2015	74.03	62.624	59.589	196.243	3.133670797
2015-2016	69.275	41.701	52.737	163.713	3.925877077
2016-2017	89.044	26.058	44.775	159.877	6.135428659
2017-2018	116.51	32.69	54.82	204.02	6.24105231
2018-2019	104.08	46.09	49.34	199.51	4.328704708
2019-2020	93.78	47.86	49.92	191.56	4.002507313

From the above data it can be said that the ratio lied from 3 – 6.3 times from the period of 2013 – 2014 and 2019 – 2020. It means that the profits available to pay the interests lie between 3 – 6.3 times. It indicates that company earns the sufficient revenue that it can bear the interest of the borrowings. In fact, the ratio can counted to be not so high and not so low. It indicates that company do not follow the conservative approach as well as it works significantly good.

3. ACTIVITY RATIOS

Activity ratios are calculated to know the efficiency of various operations of the business. It is also known as turnover ratios or asset management ratios. Using these ratios the user gets to know how efficiently the assets are used.

A. INVENTORY TURNOVER RATIO

Inventory turnover ratio tells about the average speed at which the inventory moves in the company. This ratio indicates the liquidity of the inventory. Inventory is the most illiquid asset of any company. This ratio tells about the efficiency of the inventory management of the company. For the calculation the cost of goods sold will be considered rather than sales because it has profit margin. The formula for calculating inventory turnover ratio is:

$$\text{Inventory turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average inventory}}$$

B. NUMBER OF DAYS, INVENTORY

This ratio is calculated to know for how many days the inventory is kept until it is sold. This is the reverse of the inventory turnover ratio. Lesser the number of days better it is. More days indicate poor management by the company. To calculate this ratio 360 is divided by inventory turnover ratio. The formula is given below:

$$\text{Number of days, inventory} = \frac{360}{\text{Inventory turnover ratio}}$$

YEARS	COST OF GOODS SOLD	OPENING INVENTORY	CLOSING INVENTORY	AVERAGE INVENTORY	INVENTORY TURNOVER RATIO	NO. OF DAYS, INVENTORY	NO OF DAYS, INVENTORY ROUND OFF
2013-2014	5515.468	538.889	500.702	519.7955	10.61084215	33.92756154	34
2014-2015	5422.541	500.702	507.255	503.9785	10.75946891	33.45890054	34
2015-2016	4584.548	507.255	522.064	514.6595	8.90792456	40.41345406	41
2016-2017	4294.355	522.064	570.506	546.285	7.86101577	45.79560842	46
2017-2018	5374.1	570.506	625.76	598.133	8.984791008	40.06770994	41
2018-2019	4840.37	625.76	1118.53	872.145	5.549960156	64.86533054	65
2019-2020	5314.47	1118.53	1338.21	1228.37	4.32644073	83.20927581	84

From the above data where the inventory turnover showed a decreasing trend the number of days, inventory shows in increasing trend except for the year 2016 – 2017. This shows that in the initial years the time taken by the inventory to convert into sales took lesser time then in the later years. The company should take steps and work on inventory management as the time taken in the year 2019 – 2020 is 84 days. It has reached to a level where the inventory takes almost 3 months to convert into sales. It does not signify the rapid movement. The company should at least maintain its earlier performance.

C. DEBTOR TURNOVER RATIO

This ratio measures the effectiveness of the company's credit policies. The higher ratio indicates the better efficiency of the company and lower indicated that it has inefficient management. There is no rule of thumb for the optimum ratio but it can be compared with other companies or the industry to know the quality and liquidity of the receivables. For calculating this ratio the credit sales are considered but total sales can be taken in case of lack of data. The average debtors are taken for the better results. The formula for calculation is given below:

$$\text{Debtor turnover ratio} = \frac{\text{Sales}}{\text{Average debtors}}$$

D. COLLECTION PERIOD

The collection period is the period taken by the debtors to pay on an averagely basis. Higher collection period indicates that debtors take more time to convert into cash and vice – versa. Money of the firm is blocked for more time. It is reverse of debtor turnover ratio. The formula is:

$$\text{Collection period} = \frac{360}{\text{Debtor turnover ratio}}$$

YEARS	SALES	OPENING TRADE RECEIVABLES	CLOSING TRADE RECEIVABLES	AVERAGE TRADE RECEIVABLES	DEBTOR TURNOVER RATIO	COLLECTION PERIOD	COLLECTION PERIOD ROUND OFF
2013-2014	6457.499	950.121	1320.071	1135.096	5.688945252	63.28062304	64
2014-2015	6450.605	1320.071	1473.067	1396.569	4.618894591	77.94072649	78
2015-2016	5366.135	1473.067	1150.58	1311.8235	4.090592218	88.00681682	89
2016-2017	4923.253	1150.58	750.37	950.475	5.179781688	69.50099863	70
2017-2018	6188.914	750.37	1269.45	1009.91	6.1281837	58.74497529	59
2018-2019	5829.5	1269.45	1429.65	1349.55	4.319588011	83.34128141	84
2019-2020	6369.98	1429.65	1256.74	1343.195	4.742408958	75.91078779	76

From the above data it can be said that the time period of collection lies between 2 – 3 months. These things differ from industry to industry and company to company. Therefore, the efficiency can be commented upon only when the collection period is compared to the industry or another company having similar operations. But it can be said that if averagely debtors can be collected within 60 – 65 days then company should have followed the similar policies and should not let the time period exceed to 85 – 90 days.

E. ACCOUNTS PAYABLES TURNOVER RATIO

Every company purchases its inventory on the credit basis. Therefore, the creditors are always interested to know the average time the company will take to repay the money. To know the creditors calculate the accounts payable turnover ratio. In this ratio they take cost of goods sold and the average of trade payables. The cost of goods sold is taken it is difficult to find out the total of credit purchases. Higher the ratio more satisfied are the creditors as it indicates that the company takes less time to repay the amount pending to the creditors. The formula of this ratio is:

$$\text{Account payables turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average account payables}}$$

F. PAYABLE PERIOD

Payable period is calculated to know in the form of number of days that how long the company takes to repay the amount. It is the reverse of account payables turnover ratio. Therefore, accounts number of working days is divided by the account payables turnover ratio. The formula of calculating this ratio is:

$$\text{Payable ratio} = \frac{360}{\text{Account payables turnover ratio}}$$

YEARS	COST OF GOODS SOLD	OPENING TRADE PAYABLES	CLOSING TRADE PAYABLES	AVERAGE TRADE PAYABLES	ACCOUNTS PAYABLE TURNOVER RATIO	PAYABLE PERIOD	PAYABLE PERIOD ROUND OFF
2013-2014	5515.468	608.543	684.006	646.2745	8.53425	42.18297	43
2014-2015	5422.541	684.006	755.531	719.7685	7.533729	47.7851	48
2015-2016	4584.548	755.531	749.435	752.483	6.09256	59.08846	60
2016-2017	4294.355	749.435	628.128	688.7815	6.234713	57.74123	58
2017-2018	5374.1	628.128	1110.815	869.4715	6.180881	58.24412	59
2018-2019	4840.37	1110.815	1355.556	1233.1855	3.925095	91.71753	92
2019-2020	5314.47	1355.556	1358.467	1357.0115	3.916304	91.9234	92

From the above data it can be said that the payable period have increased from the financial year 2013 – 2014 to 2019 – 2020 except for the year 2016 – 2017. This shows that the creditors of the company have given ease of payment as the credit period have increased from approximately 1.5 months to 3 months which is almost the double. With this company has gotten the benefit to time. The company can take more time to pay.

G. WORKING CAPITAL TURNOVER RATIO

Working capital is difference of current assets and the current liabilities. This ratio tells about the efficiency of the working capital of the company. Working capital is directly related to sales. Working capital turnover ratio indicates the velocity of the utilization of net working capital. A higher working capital ratio indicates that the efficiency to the working capital and vice – versa. The calculation is done by dividing cost of goods sold with the working capital. The formula is given below:

$$\text{Working capital turnover ratio} = \frac{\text{Cost of sales}}{\text{Net working capital}}$$

YEARS	COST OF GOODS SOLD	CURRENT ASSETS	CURRENT LIABILITIES	NET WORKING CAPITAL	WORKING CAPITAL TURNOVER RATIO
2013-2014	5515.468	2013.756	1387.038	626.718	8.80055783
2014-2015	5422.541	2132.603	1720.706	411.897	13.1647985
2015-2016	4584.548	1816.713	1385.881	430.832	10.6411501
2016-2017	4294.355	1550.261	1027.055	523.206	8.20777094
2017-2018	5374.1	2536.7	2398.02	138.68	38.7518027
2018-2019	4840.37	2890.44	2160.16	730.28	6.62810155
2019-2020	5314.47	3071.33	2223.31	848.02	6.26691587

From the data analysis it can be said that there is no stability in the working capital turnover ratio of the company. The ratio had tremendous result in the year 2017 – 2018 where the ratio was 38.7518. But after analyzing the ratio of other years it can be said that this hike was just by chance. The company should check what factors led to it. If the factors were not uncertain then similar efficiency can be reached in the other years as well.

H. TOTAL ASSET TURNOVER RATIO

This ratio studies the relationship between the sales and the total assets of the company. From this ratio, it can be known that how efficiently the assets are used to generate revenue. A higher ratio indicates that the assets are used in the optimum manner and vice – versa. A company with higher total asset turnover ratio can operate with fewer assets and therefore, it would need lesser funds to purchase new assets. The formula for calculation is given below:

$$Total\ assets\ turnover\ ratio = \frac{Sales}{Total\ assets}$$

YEARS	SALES	TOTAL ASSETS	TOTAL ASSET TURNOVER RATIO
2013-2014	6457.499	2601.552	2.482171796
2014-2015	6450.605	2984.301	2.161512863
2015-2016	5366.135	2700.437	1.987135786
2016-2017	4923.253	2398.018	2.053050895
2017-2018	6188.914	3421.38	1.808894072
2018-2019	5829.5	3753.8	1.552959668
2019-2020	6369.98	3953.4	1.611266252

The ratio in the data indicates that the assets are used in the most efficient manner. It can be said because in the initial years of the study the ratio is more than double which means the assets generate almost double the revenue of the money invested. Though ranging between 1 – 2 times is also satisfactory but it has a decrease in the later years. The company should maintain that kind of efficiency, if not increase.

I. NET ASSETS TURNOVER RATIO

This ratio studies the relationship of the sales and capital employed. It is the well known fact that money attracts money. Similar is the case with this ratio. From this ratio it can known that how well the funds are used to generate the revenue from operations. It signifies efficiency of the cash flows to grow the business. Higher the ratio better it is because it will indicate that the shareholders funds and borrowed funds are used in the best possible manner. This formula of this ratio is:

$$Net\ assets\ turnover\ ratio = \frac{Sales}{Capital\ employed}$$

YEARS	SALES	SHARE CAPITAL	RESERVES AND SURPLUS	NET WORTH	TOTAL DEBT	CAPITAL EMPLOYED	NET ASSET CAPITAL RATIO
2013-2014	6457.499	96	1118.514	1214.514	0	1214.514	5.316940768
2014-2015	6450.605	96	1167.584	1263.584	0	1263.584	5.105006869
2015-2016	5366.135	96	1218.555	1314.555	0	1314.555	4.082092419
2016-2017	4923.253	96	1274.958	1370.958	0	1370.958	3.591104177
2017-2018	6188.914	96	1358.135	1454.135	0	1454.135	4.256079387
2018-2019	5829.5	96	1418.7	1514.7	78.95	1593.65	3.657955009
2019-2020	6369.98	96	1475.57	1571.57	158.52	1730.09	3.681877821

This ratio does form a trend but it has fallen from the year 2013 – 2014 to the year 2019 – 2020. The sales revenue in the initial years gave more than 5 times return on the capital invested. In the year 2019 – 2020 it has decreased to 3.6819 times. If any comparison is not done then even 3 times is also good but the performance decline is definitely the matter to discuss. The company should work on it and should at least achieve the initial level of performance.

4. **PROFITABILITY RATIOS**

Profitability ratios help to know the ability of the company to earn profits. The analysis is done to know the return from the sales. It helps to know how efficiently the value is generated to the shareholders.

A. **GROSS MARGIN**

This ratio studies the relationship of gross profit and sales of the company. In this ratio the company gets to know the profits it earns considering all the cost of the goods and its daily expenses but without the taxes. Higher gross profit indicates that the cost of goods sold is less and vice – versa. There is no ideal ratio for the gross profit. It differs from industry to industry but the gross profits should cover the cost and expenses of the company. The formula to calculate the gross margin is:

$$\text{Gross margin} = \frac{\text{EBIT}}{\text{Sales}} * 100$$

YEARS	PROFIT BEFORE TAX	FINANCE COST	EBIT	SALES	GROSS MARGIN
2013-2014	76.617	33.761	110.378	6457.499	1.709299529
2014-2015	74.03	62.624	136.654	6450.605	2.118467958
2015-2016	69.275	41.701	110.976	5366.135	2.068080658
2016-2017	89.044	26.058	115.102	4923.253	2.337925758
2017-2018	116.51	32.69	149.2	6188.914	2.410762211
2018-2019	104.08	46.09	150.17	5829.5	2.576035681
2019-2020	93.78	47.86	141.64	6369.98	2.223554862

From the data it can be said that the gross margin of the company lies in between 1% – 2.5%. It shows that the profits margin is very low. But nothing can be commented as this can be known after the comparison with the industry or any other company. But it can be said that the cost of goods and the operating expenses are comparatively very high. The company should work on it if the profit percentage of the industry is more than the company.

B. **NET MARGIN**

Net profit is calculated by subtracting operating expenses, interest and taxes from the profits earned by the company. It represents the better picture of profit available because this is the actual money left that can be retained or distributed to the shareholders. If the net profits are not satisfactory then there will be inadequate funds for the shareholders. Higher the ratio better it is. This is because the company in the time of crisis will survive only if its net profits are high. The formula for calculating net margin is:

$$\text{Net margin} = \frac{\text{Profit after tax}}{\text{Sales}} * 100$$

YEARS	PROFIT AFTER TAX	SALES	NET MARGIN
2013-2014	47.398	6457.499	0.733999339
2014-2015	49.03	6450.605	0.760083744
2015-2016	50.971	5366.135	0.949864288
2016-2017	56.403	4923.253	1.145644963
2017-2018	83.177	6188.914	1.343967617
2018-2019	73.12	5829.5	1.254309975
2019-2020	56.87	6369.98	0.892781453

The net margin is the money available to be given to the shareholders or retained for the future. For this adequate funds should be generated. The ratio shows that the profits not even formed 1% of the sales in the initial years. It is not satisfactory for the company. The company should work on it. If the return in this industry is this much only then it should increase the sales so that the absolute profit is satisfactory.

C. RETURN ON INVESTMENT

This ratio ascertains the return that the owners and outsiders put in the company. For this the profit earned is divided by capital employed. Profit here means earning of the before tax and interest. Capital employed means the money that is put by the owners and the outsiders in the company. In this, the net profit margin, total asset turnover and return on assets are reviewed together because net profit margin and total asset turnover have influence on return on assets. When these three items are reviewed together then it is termed as dupont analysis. It is also known as return on capital employed. The formula is given below:

$$\text{Return on investment} = \frac{\text{EBIT}}{\text{Capital employed}}$$

YEARS	PROFIT BEFORE TAX	FINANCE COST	EBIT	SHARE CAPITAL	RESERVES AND SURPLUS	NET WORTH	TOTAL DEBT	CAPITAL EMPLOYED	RETURN ON INVESTMENT
2013-2014	76.617	33.761	110.378	96	1118.514	1214.514	0	1214.514	0.09088244
2014-2015	74.03	62.624	136.654	96	1167.584	1263.584	0	1263.584	0.10814793
2015-2016	69.275	41.701	110.976	96	1218.555	1314.555	0	1314.555	0.08442096
2016-2017	89.044	26.058	115.102	96	1274.958	1370.958	0	1370.958	0.08395735
2017-2018	116.51	32.69	149.2	96	1358.135	1454.135	0	1454.135	0.10260395
2018-2019	104.08	46.09	150.17	96	1418.7	1514.7	78.95	1593.65	0.09423023
2019-2020	93.78	47.86	141.64	96	1475.57	1571.57	158.52	1730.09	0.08186857

Return on investment is very important to know. From the data it can be said that the return on capital lies between 8% - 10%. There is no trend of the return. But it has fallen from 2013 – 2014 to 2019 – 2020. Though the company has put the efforts to increase it in the year 2014 – 2015 and 2017 – 2018 but mostly it remained between 8% - 9%. The return depends upon the industry to industry. So to know that the return is satisfactory the comparison is needed.

D. RETURN ON EQUITY

The shareholders are the real owners of the company. It is important for them to know what the return from their investment in the company is. The rate of dividend varies with the ordinary shares. Therefore, the preference dividend is not considered. This ratio sees the relationship between the profits after tax that are available to be distributed to the equity shareholders and the paid up equity share capital. The formula for calculating the return on equity is:

$$\text{Return on equity} = \frac{\text{Profit after tax} - \text{preference dividend}}{\text{Net worth}}$$

YEARS	PROFIT AFTER TAX	SHARE CAPITAL	RESERVES AND SURPLUS	NET WORTH	RETURN ON EQUITY
2013-2014	47.398	96	1118.514	1214.514	0.03902631
2014-2015	49.03	96	1167.584	1263.584	0.038802327
2015-2016	50.971	96	1218.555	1314.555	0.038774338
2016-2017	56.403	96	1274.958	1370.958	0.041141304
2017-2018	83.177	96	1358.135	1454.135	0.057200329
2018-2019	73.12	96	1418.7	1514.7	0.048273586
2019-2020	56.87	96	1475.57	1571.57	0.036186743

From the above data it can be indicated that the owners return lies in between 3% to 5%. The return increased till the year 2017 -2018 and then decreased after that. Basically the return in the year 2013 – 2014 and 2019 – 2020 is similar. The company should work on providing the better returns to the owners.

E. RETURN ON TOTAL ASSETS

Assets are investments that generate income for the long period of time. Therefore, this ratio studies the relationship between the profit after tax and the total assets. A higher return signifies that how efficiently the assets are used to generate the income. It studies the relationship of the profits after tax and the total assets. The limitation of this ratio is that it does not consider the market values which would give the more reliable results. The formula for the calculation of this ratio is:

$$\text{Return on total assets} = \frac{\text{Profit after tax}}{\text{Total assets}}$$

YEARS	PROFIT AFTER TAX	TOTAL ASSETS	RETURN ON TOTAL ASSETS
2013-2014	47.398	2601.552	0.018219125
2014-2015	49.03	2984.301	0.016429308
2015-2016	50.971	2700.437	0.018875093
2016-2017	56.403	2398.018	0.023520674
2017-2018	83.177	3421.38	0.024310951
2018-2019	73.12	3753.8	0.019478928
2019-2020	56.87	3953.4	0.014385086

The data indicates that there is 1% - 2.5% return on the assets invested in the business. The return in terms of profits is considered to be very low. The company should increase its profits by better utilization of the assets. The company should work in this direction and increase its returns for future.

F. OPERATING EXPENSES RATIO

This ratio studies the relationship between cost of goods sold and other operating expenses with the sales of the company. This ratio helps to know how much part of sales is consumed by these expenses. Even though there is no ideal ratio but 70% to 75% is considered to be satisfactory in case of the manufacturing concern. The formula of operating expense ratio is given below:

$$\text{Operating expense ratio} = \frac{\text{Cost of goods sold} + \text{operating expenses}}{\text{Sales}} * 100$$

YEARS	COST OF GOODS SOLD	OTHER OPERATING EXPENSES	TOTAL OPERATING EXPENSES	SALES	OPERATING EXPENSES RATIO
2013-2014	5515.468	717.437	6232.905	6457.499	96.5219662
2014-2015	5422.541	755.523	6178.064	6450.605	95.7749544
2015-2016	4584.548	540.115	5124.663	5366.135	95.5000759
2016-2017	4294.355	488.15	4782.505	4923.253	97.1411585
2017-2018	5374.1	600.64	5974.74	6188.914	96.5393929
2018-2019	4840.37	753.1	5593.47	5829.5	95.9511107
2019-2020	5314.47	762.45	6076.92	6369.98	95.3993576

From the above data it is clear that 95% - 97% of the revenue is used for meeting the expenses and cost of goods. A very less amount is left for the profits. This ratio is high enough to not to produce the satisfactory results. The company needs to reduce its cost and expenses for a better return on the investment. This measure will even help at the time of crisis.

G. RESERVES TO CAPITAL

Reserves to capital ratio establish the relationship between reserves and capital. Higher ratio indicates that the future loss can be easily absorbed by the reserves created. This provides safety to the company. It tells about the financial position of the company. The formula of reserves to capital is:

$$\text{Reserves to capital} = \frac{\text{Reserves}}{\text{Share capital}}$$

YEARS	SHARE CAPITAL	RESERVES AND SURPLUS	RESERVES TO CAPITAL
2013-2014	96	1118.514	11.6511875
2014-2015	96	1167.584	12.1623333
2015-2016	96	1218.555	12.6932813
2016-2017	96	1274.958	13.2808125
2017-2018	96	1358.135	14.1472396
2018-2019	96	1418.7	14.778125
2019-2020	96	1475.57	15.3705208

The data provides that the reserves are 11 – 15 times of the capital invested by the owners in the company. It shows a very strong position of the company. Company is ready to face any situation in the future.

SUGGESTIONS

From the above interpretations it can be said the company should increase its current ratio. In case, of any sticky situation the company can lose the trust of its suppliers and the benefit of the payment period can be missed. The company should increase its cash reserve ratio to 4%. The company has worked on it but more effort is required. Further it should increase its net worth to total assets ratio to 75%. It is seen that the company has negligible long term borrowings yet the net worth to total assets ratio is low. It can be observed that the company is using the short term assets to meet the long term liabilities. The company should not do this. It should use its reserves to do so. The reserves are maintained to meet such expenses. The management needs to understand this. Further it is advised to work on its fixed assets. The fixed assets should be increased by 10% - 15%. The company should decrease its operating expenses as it consumes a huge part of the revenue. The company should increase its gross margins and net margins. These are considered to be very low. In case of setback, the company would find it difficult to come out of

the crisis. The profits have not only affected the return on equity but also return on assets. Company should take immediate steps to work towards it. It is also suggested to decrease its collection period. Collection period has increased to nearly 3 months. At least, the company can maintain the collection period of initial spell of the study. Similar is the case with net asset turnover ratio. If not increase in the later years of study then can maintain its previous performance.

CONCLUSION

After analyzing the company's financial performance it can be said that there are various areas where company has worked proficiently but yet they have to work on few sections so that they don't face any problems in short term and long term. The overall performance of the company is satisfactory.

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