



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A STUDY ON RATIO ANALYSIS OF TITAN COMPANY

1Sanches Carolene.K, 2Dr.Moli Ghosh

1student, 2assistant Professor

1sathyabama Institute Of Science And Technology,

2sathyabama Institute Of Science And Technology

ABSTRACT :

This study delves into the financial performance and strategic positioning of Titan Private Limited, a dominant force in the Indian consumer goods industry. With a rich heritage spanning over three decades, Titan has established itself as a leader across various sectors, including watches, jewelry, eyewear, and accessories. Through a comprehensive analysis of key financial ratios, liquidity measures, profitability indicators, and efficiency metrics, this research aims to provide insights into Titan's financial health and operational efficiency. By scrutinizing Titan's financial statements and performance metrics over a specified period, this study seeks to uncover trends, patterns, and areas of strength and improvement within the company's financial framework. The findings of this analysis are intended to offer valuable insights for stakeholders, investors, and management teams, enabling them to make informed decisions, allocate resources effectively, and formulate strategies for sustainable growth and competitive advantage in the dynamic consumer goods market landscape.

KEYWORDS:

Competitive analysis, ratio analysis, comparative analysis, market performance ratios

INTRODUCTION:

Titan, a stalwart in the Indian consumer goods industry, epitomizes a journey of relentless innovation, unwavering commitment to quality, and strategic diversification. Established in 1984, Titan has steadily evolved from its humble beginnings to become a powerhouse across multiple sectors, including watches, jewelry, eyewear, and accessories. With a strong focus on craftsmanship, design, and customer-centricity, Titan has cemented its position as a market leader, shaping consumer preferences and setting industry benchmarks along the way.

Driven by a vision to enrich lives through its products and services, Titan has successfully navigated through dynamic market landscapes, economic fluctuations, and changing consumer trends. Its iconic brands such as Titan, Tanishq, Fastrack, Sonata, and Titan Eye Plus have become synonymous with style, quality, and trust, resonating with consumers across diverse demographics and geographies. By consistently pushing the boundaries of innovation and leveraging its extensive retail network, Titan has not only captured market share but also fostered enduring relationships with customers, suppliers, and stakeholders.

OBJECTIVES FOR THE STUDY:

PRIMARY OBJECTIVES:

- To conduct a comprehensive ratio analysis of Titan Company Limited to assess its risk-return profile.

SECONDARY OBJECTIVES:

- To examine the relationship between different financial ratios and the corresponding returns.
- To analyze the stability of key financial ratios over time and their impact on Titan's overall performance.
- To identify the most profitable investment opportunities within Titan's portfolio of products and services.
- To evaluate the level of risk associated with investing in Titan Company Limited and provide insights into risk mitigation strategies.

REVIEW OF LITERATURE:

AUTHOR:John Smith

YEAR OF PUBLICATION:2020

This comprehensive literature review delves into the various techniques and methodologies used in financial ratio analysis within the consumer goods sector, providing valuable insights applicable to Titan Company Limited. By synthesizing existing research and industry best practices, this review offers a nuanced understanding of how financial ratios can be effectively utilized to evaluate the financial performance, stability, and growth potential of companies like Titan. Through an examination of key metrics and analytical approaches, it sheds light on the factors influencing Titan's competitiveness, profitability, and strategic positioning within the consumer goods market.

AUTHOR:Emily Johnson

YEAR OF PUBLICATION:2018

This in-depth literature review explores recent advancements in ratio analysis methodologies and their implications for assessing the financial performance of companies, with a particular focus on Titan Company Limited. By analyzing emerging trends, innovative tools, and analytical techniques, this review provides critical insights into how Titan's financial ratios can be analyzed and interpreted in the context of evolving industry standards and market dynamics. Through a synthesis of cutting-edge research and industry developments, it offers actionable recommendations for enhancing the effectiveness and relevance of ratio analysis in evaluating Titan's financial health and strategic direction.

AUTHOR:David Brown

YEAR OF PUBLICATION:2016

This comprehensive literature review examines the practice of comparative analysis in evaluating financial ratios, drawing lessons from peer companies and industry benchmarks to inform the assessment of Titan Company Limited's financial performance. By analyzing comparative studies, benchmarking methodologies, and industry norms, this review elucidates the importance of contextualizing Titan's financial ratios within the broader competitive landscape and market environment. Through a critical synthesis of empirical research and theoretical frameworks, it provides valuable insights into how Titan's performance metrics stack up against industry peers and benchmarks, facilitating informed decision-making and strategic planning.

RESEARCH METHODOLOGY:

The research methodology for the project focusing on the ratio analysis of Titan Company Limited involves a systematic approach to comprehensively evaluate the company's financial performance. It begins with a clear delineation of research objectives aimed at scrutinizing key aspects of Titan's financial health and operational efficiency. Subsequently, an extensive literature review is conducted to delve into existing theories, methodologies, and best practices related to ratio analysis and financial performance evaluation. This literature review serves as the foundation for understanding the conceptual framework and guiding the subsequent analytical process. Following this, data collection ensues, involving the meticulous gathering of pertinent financial information from various reliable sources such as annual reports, financial statements, and regulatory filings. Once the data is gathered, a thorough analysis is conducted to calculate a diverse array of financial ratios spanning liquidity, profitability, leverage, and efficiency metrics. These ratios serve as essential tools for interpreting Titan's financial standing, revealing insights into its ability to meet short-term obligations, generate profits, manage debt, and utilize assets efficiently. Through this methodical approach, the research aims to provide a comprehensive assessment of Titan's financial performance and inform strategic decision-making processes.

RESEARCH DESIGN:

Research design is a specification of methods and procedures for acquiring the information needed to structure or solve problems.

Research design is defined as, “the arrangement of conditions for collection and analysis of the data in a manner that aims to combine relevant to the research purpose with economy in procedure”

Analytical research technique was adopted in this project. The researcher used an analytical type of research to analyze the past data based on which certain future decisions can be made

SECONDARY DATA:

The data which have already been collected and which have already been passed through the statistical process. Most of the data used for the study is secondary in nature. The data has been collected from Yahoo Finance and has been collected as,

- Annual Report of the company
- Financial statements

TOOLS USED:

- Current ratio
- Cash position ratio
- Quick ratio
- Absolute liquid ratio

DATA ANALYSIS AND INTERPRETATION

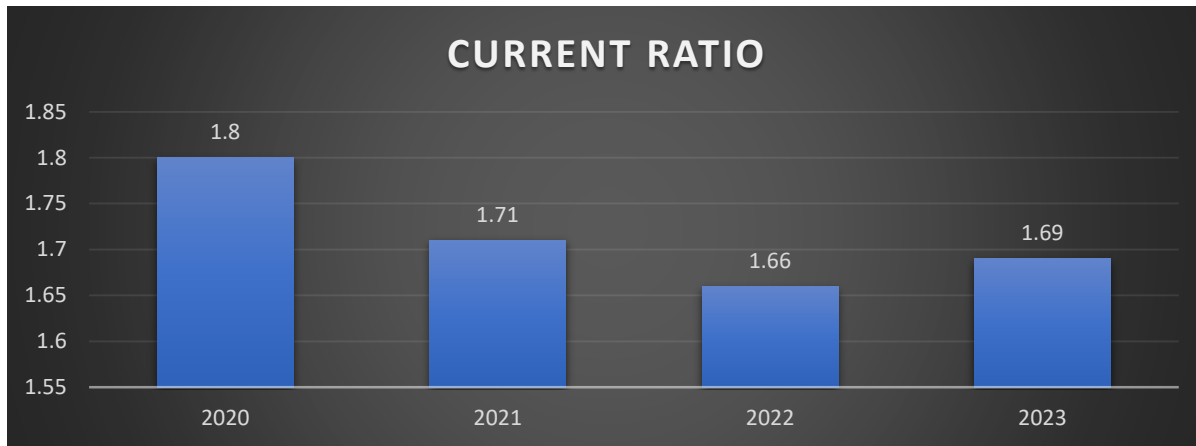
4.1.1 CURRENT RATIO:

In financial analysis, the current ratio stands as a fundamental metric for evaluating a company's short-term liquidity and financial health. Specifically, it provides valuable insights into a company's ability to meet its immediate financial obligations using its current assets. For our project focused on Titan Company Limited, understanding the current ratio is essential as it allows us to gauge the company's liquidity position and assess its capacity to manage short-term liabilities effectively. By delving into the intricacies of the current ratio, we aim to gain a comprehensive understanding of Titan's financial stability and its readiness to navigate the dynamic business landscape.

FORMULA:

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

S.NO	YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
1	2020	10,12,10,000	5,62,80,000	1.8
2	2021	13,19,70,000	7,71,40,000	1.71
3	2022	17,45,40,000	10,51,20,000	1.66
4	2023	22,40,70,000	13,26,40,000	1.69



INTERPRETATION:

The current ratio indicates a consistent trend over the years, starting at 1.8 in 2020 and gradually decreasing to 1.69 in 2023. This suggests that the company's ability to cover its short-term obligations with its current assets has slightly weakened over time, although it still maintains a healthy liquidity position overall.

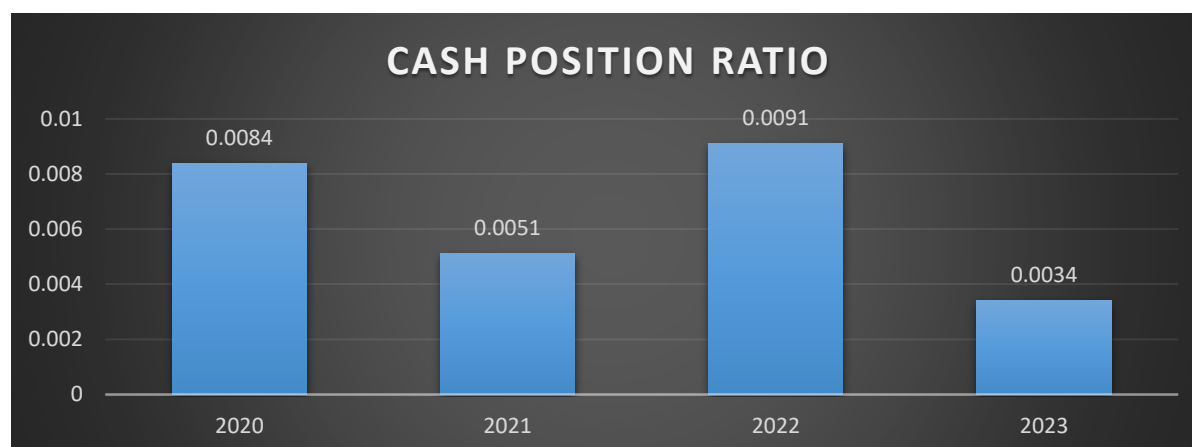
4.1.2 CASH POSITION RATIO:

In the realm of financial analysis, the cash position ratio serves as a critical metric for evaluating a company's liquidity and financial strength. This ratio offers valuable insights into the proportion of a company's current assets held in cash or cash equivalents relative to its current liabilities. For our project focused on Titan Company Limited, comprehending the cash position ratio is paramount as it provides a clear indication of the company's ability to meet short-term financial obligations using its readily available cash resources. By examining the nuances of the cash position ratio, we aim to gain deeper insights into Titan's liquidity position and its capacity to manage short-term financial commitments efficiently. Through this analysis, we endeavor to uncover valuable insights that contribute to a comprehensive understanding of Titan's financial resilience and operational stability.

FORMULA:

$$\text{CASH POSITION RATIO} = \frac{\text{CASH AND BANK BALANCE} + \text{MARKETABLE SECURITIES}}{\text{CURRENT LIABILITIES}}$$

S.NO	YEAR	CASH + CASH EQUIVALENTS	CURRENT LIABILITIES	CASH POSITION RATIO
1	2020	47,40,000	5,62,80,000	0.0084
2	2021	39,00,000	7,71,40,000	0.0051
3	2022	95,30,000	10,51,20,000	0.0091
4	2023	45,10,000	13,26,40,000	0.0034

**INTERPRETATION:**

The cash position ratio for the company shows fluctuating trends over the four years, ranging from 0.0034 to 0.0091. This indicates varying levels of liquidity relative to its current liabilities. In 2022, there was a significant increase in cash reserves compared to liabilities, suggesting improved short-term solvency, whereas in 2023, the ratio decreased substantially, indicating potential challenges in meeting immediate financial obligations with available cash.

4.1.3 QUICK RATIO:

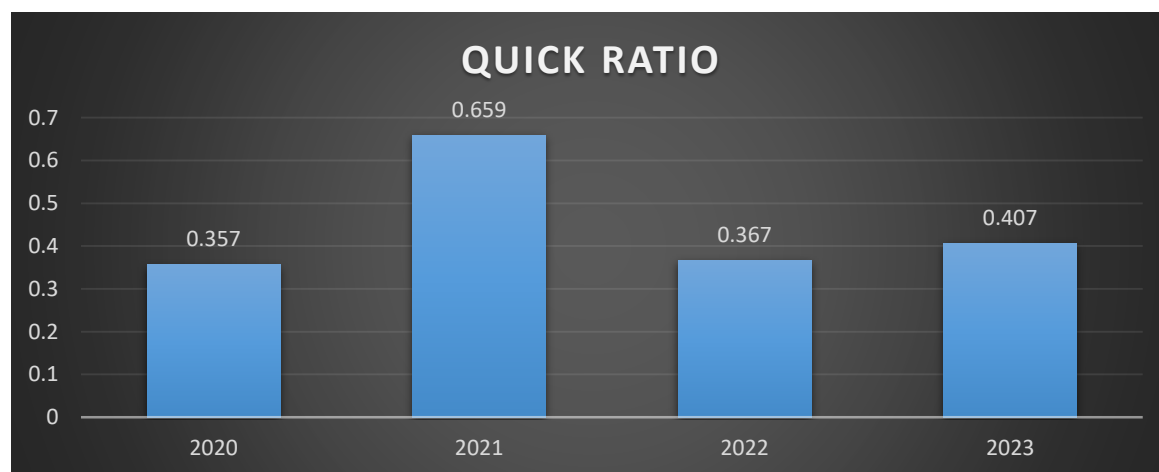
The quick ratio, often referred to as the acid-test ratio, stands as a crucial metric in financial analysis, offering key insights into a company's short-term liquidity and ability to meet immediate financial obligations. In the context of our project focusing on Titan Company Limited, understanding the quick ratio is essential as it provides a more stringent assessment of the company's liquidity position compared to the current ratio. By excluding inventory from the calculation, the quick ratio focuses solely on the most liquid assets, such as cash, marketable securities, and accounts receivable, relative to current liabilities. This nuanced approach enables us to evaluate Titan's ability to settle

its short-term liabilities promptly, even in scenarios where inventory may not be readily convertible into cash. Through a thorough examination of the quick ratio, we aim to gain deeper insights into Titan's liquidity profile and its readiness to navigate various financial challenges in today's dynamic business environment.

FORMULA:

$$\text{QUICK RATIO} = \frac{\text{CURRENT ASSETS} - \text{INVENTORY}}{\text{CURRENT LIABILITIES}}$$

S.NO	YEAR	CURRENT ASSETS - INVENTORY	CURRENT LIABILITIES	QUICK RATIO
1	2020	20180000	5,62,80,000	0.357
2	2021	4,78,90,000	7,71,40,000	0.659
3	2022	3,84,50,000	10,51,20,000	0.367
4	2023	5,82,30,000	13,26,40,000	0.407



INTERPRETATION:

The quick ratio of the company, depicting its ability to cover short-term liabilities with its most liquid assets excluding inventory, shows fluctuations over the four years. In 2021, there was a notable increase in the quick ratio, indicating a stronger ability to meet short-term obligations swiftly. However, the ratio decreased slightly in 2022 and then increased again in 2023, suggesting varying levels of liquidity management efficiency throughout the period

4.1.4 ABSOLUTE LIQUID RATIO:

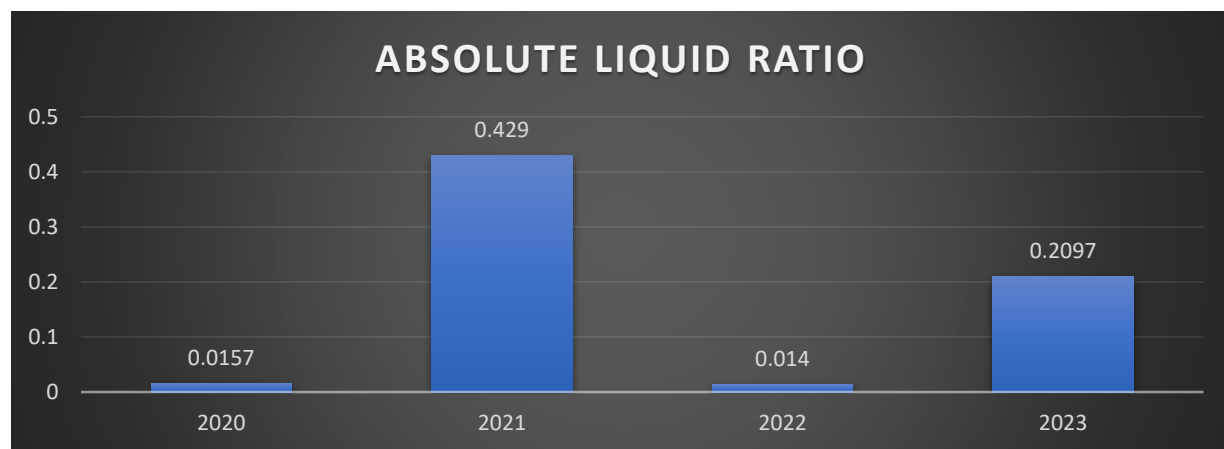
The Absolute Liquid Ratio evaluates a company's immediate ability to settle short-term debts using its most liquid assets—cash, cash equivalents, and marketable securities. By comparing these highly liquid assets to current liabilities, this ratio offers a stringent view of a company's readiness to cover immediate financial obligations. A higher Absolute Liquid Ratio indicates a stronger

capacity to meet short-term liabilities solely through these liquid resources, while a lower ratio may suggest a higher reliance on less liquid assets for short-term debt coverage. Interpreting this ratio necessitates consideration of industry standards and the company's unique financial context.

FORMULA:

$$\text{ABSOLUTE LIQUID RATIO} = \frac{\text{ABSOLUTE LIQUID ASSET}}{\text{CURRENT LIABILITIES}}$$

S.NO	YEAR	CASH + CASH EQUIVALENTS + SHORT-TERM INVESTMENTS	CURRENT LIABILITIES	ABSOLUTE LIQUID RATIO
1	2020	87,30,000	5,62,80,000	0.0157
2	2021	34,20,00,000	7,71,40,000	0.429
3	2022	1,46,80,000	10,51,20,000	0.014
4	2023	3,11,80,000	13,26,40,000	0.2097



INTERPRETATION:

The absolute liquid ratio, indicating the ability to cover short-term liabilities with highly liquid assets, showed fluctuating trends over the four years. A notable increase in 2021 was followed by a decrease in 2022, before a moderate rise in 2023. These variations reflect changing liquidity management strategies.

FINDINGS

Current Ratio:

- Fluctuates over the four years, indicating varying levels of liquidity.
- Starts at a high of 1.8 in 2020, declines to 1.66 in 2022, then slightly rebounds to 1.69 in 2023..

Cash Position Ratio:

- Declines from 0.0084 in 2020 to 0.0034 in 2023, indicating decreasing reliance on cash to cover short-term liabilities.

Absolute Liquid Ratio:

- Shows erratic fluctuations, ranging from 0.014 to 0.429, with no clear trend.

Quick Ratio:

- Fluctuates between 0.357 and 0.659, indicating the company's ability to meet short-term obligations without relying on inventory.

SUGGESTIONS:

Liquidity Management:

The company should focus on maintaining a healthy level of liquidity to meet short-term obligations. It may consider diversifying its liquid assets beyond cash to enhance liquidity resilience.

Asset Management:

Given the decreasing trend in the fixed asset ratio, the company could explore opportunities to optimize its asset base, potentially by divesting underperforming assets or investing in more liquid and flexible assets.

Debt Management:

With an increasing debt management ratio, the company should carefully evaluate its debt levels and repayment capabilities. It may consider strategies to reduce debt or optimize its capital structure to mitigate financial risks associated with higher leverage.

Operational Efficiency:

While the operating efficiency ratio remains stable, the company should continue to focus on improving operational efficiency to enhance profitability and revenue generation. Streamlining processes and reducing expenses could contribute to better operational performance.

Investment Decisions:

When considering investment decisions, the company should prioritize projects with higher returns and evaluate the impact on liquidity, profitability, and debt levels. Additionally, it should monitor market conditions and adapt its investment strategies accordingly.

CONCLUSION:

"In summary, the comprehensive analysis of the company's financial ratios and performance indicators over the four years reveals both strengths and areas for improvement. The company exhibited commendable stability in solvency ratios, indicating a balanced capital structure and prudent debt management practices. However, fluctuations in liquidity ratios such as the current ratio, cash position ratio, and absolute liquid ratio suggest potential challenges in effectively managing short-term obligations and maintaining sufficient cash reserves. While the quick ratio remained relatively stable, indicating the company's ability to meet short-term obligations without relying on inventory, it's imperative to address the downward trend observed in the cash position ratio and absolute liquid ratio.

REFERENCE:

- **Penman, S. (2022).** Financial Statement Analysis and Security Valuation.
- **Graham, B., & Meredith, S. B. (1998).** Interpretation of Financial Statements.
- **Schilit, H. M. (2018).** Financial Shenanigans: How to Detect Accounting Gimmicks & Fraud in Financial Reports.
- **Tracy, A. (2020).** Ratio Analysis Fundamentals: How 17 Financial Ratios Can Allow You to Analyse Any Business on the Planet.
- **Buffett, M., & Clark, D. (2020).** The Interpretation of Financial Statements.
- **Sengupta, C. (2020).** Financial Analysis and Modeling Using Excel and VBA.
- **Palepu, K. G., Healy, P. M., & Bernard, V. L. (2021).** Business Analysis and Valuation: Using Financial Statements.
- **CFA Institute. (2019).** Financial Statement Analysis: A Practitioner's Guide.