

RATIO ANALYSIS WITH SPECIAL REFERENCE TO TIRUMALA MILK PRODUCTS - NARASARAOPET

SHAIK IMRAN¹, Dr N.YUVA RAJU²

¹PG Scholar, ²PROFESSOR

DEPARTMENT OF MBA

R K COLLEGE OF ENGINEERING KETHANAKONDA

Abstract: Financial performance evaluation is a crucial aspect for any business entity to ensure sustainability and growth. Ratio analysis serves as a powerful tool in assessing the financial health of an organization by examining various financial metrics. This study focuses on the application of ratio analysis to evaluate the financial performance of Tirumala Milk Products, Narasaraopet, a well-known dairy company. The research delves into different types of financial ratios, including liquidity, profitability, solvency, and efficiency ratios, to analyze the company's operational efficiency, financial stability, and overall profitability. The study is based on secondary data collected from financial statements, annual reports, and industry publications. Graphical representation of key financial ratios is incorporated to provide a clearer understanding of trends and performance metrics over the years. The findings of the study highlight the company's financial strengths and areas requiring improvement. Suggestions for enhancing financial stability and efficiency are provided based on the analysis. This research aims to assist stakeholders, including management, investors, and creditors, in making informed financial decisions regarding Tirumala Milk Products.

Keywords: Ratio Analysis, Financial Performance, Liquidity, Profitability

I.INTRODUCTION

Financial analysis is a critical component of business decision-making, providing insights into an organization's strengths and weaknesses. Ratio analysis, one of the most widely used financial assessment tools, plays a crucial role in evaluating the overall performance of a company. It helps in measuring liquidity, profitability, solvency, and operational efficiency by comparing financial statement figures to derive meaningful conclusions. This technique aids investors, creditors, and management in making informed business decisions and strategic planning. Ratio analysis enables the identification of financial trends, strengths, and areas requiring improvement. By analyzing liquidity ratios such as the current ratio and quick ratio, we can determine the company's ability to meet short-term obligations. Profitability ratios such as net profit margin and return on assets provide insight into the efficiency of the company's operations. Solvency ratios like the debt-to-equity ratio highlight the company's long-term financial stability, while efficiency ratios assess how effectively the company utilizes its assets.

II .SIGNIFICANCE OF THE STUDY

Ratio analysis is essential for businesses to evaluate financial health. It helps investors, creditors, and management to make strategic decisions. Without ratio analysis, businesses may struggle to measure performance, identify financial risks, and improve operational efficiencies.

III.IMPORTANCE OF THE STUDY

Ratio analysis is a vital financial tool used to evaluate a company's performance, liquidity, profitability, and solvency. It helps in decision-making, financial planning, and assessing creditworthiness. Businesses and investors use it to compare performance over time and against

industry benchmarks. Ultimately, it aids in identifying strengths, weaknesses, and potential financial risks.

IV .OBJECTIVES OF THE STUDY

- [1] The main objective of the study is to analyze the financial information of the Tirumala Milk Products Pvt Ltd.
- [2] To know the performance of the company in different time periods.
- [3]To verify liquidity and it's impact on ratio analysis.
- [4] To know the profitability and activity position of Tirumala Milk Products Pvt Lt

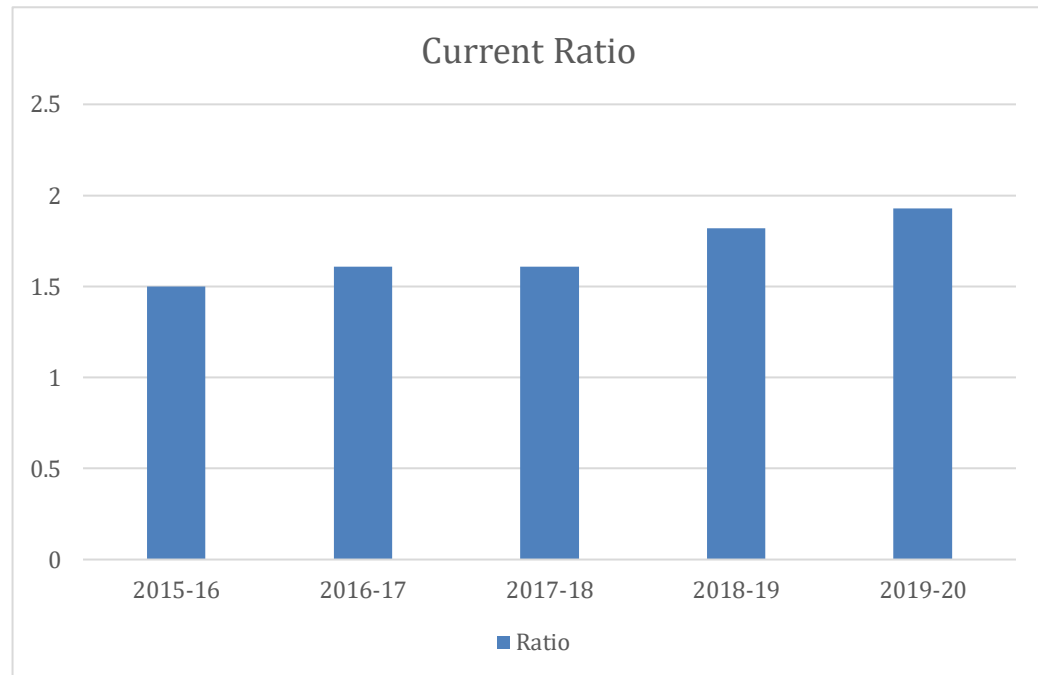
V. DATA COLLECTION

The study is based on secondary data collected from financial reports, balance sheets, profit and loss accounts, and industry reports. Quantitative methods are used to calculate and interpret various financial ratio

VI .RESULTS AND DISCUSSION

Current Ratio

Year	Current Assets	Current Liabilities	Current Ratio
2015-16	1,56,67,02,110	1,04,06,02,326	1.50
2016-17	1,35,92,57,561	83,96,92,182	1.61
2017-18	1,63,03,46,325	1,01,23,27,536	1.61
2018-19	1,65,40,53,478	90,43,77,431	1.82
2019-20	1,71,28,30,704	88,50,78,935	1.93

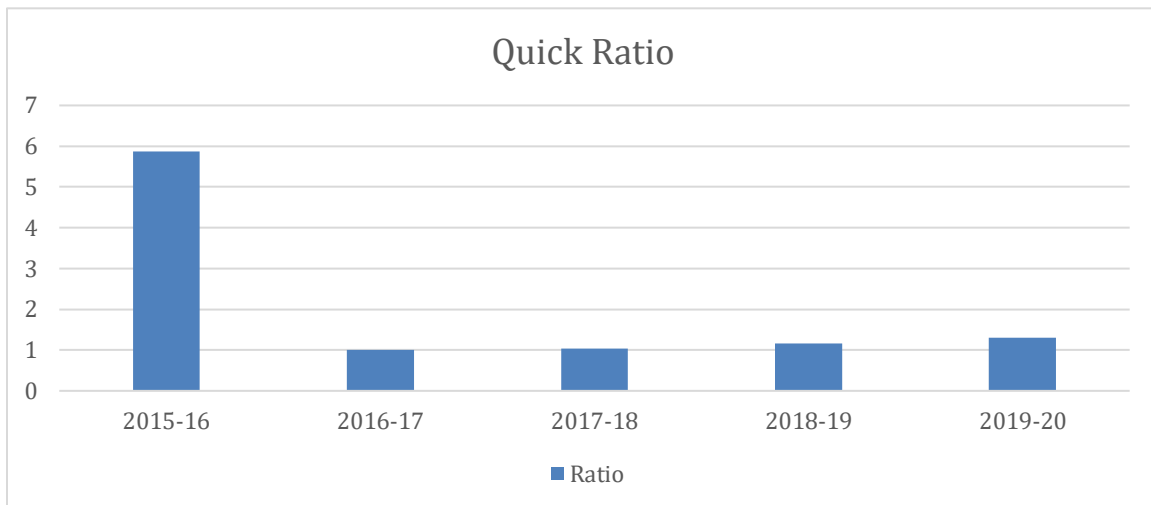


V . INTERPRETATION

The current ratio defined as the relationship between current assets and current liabilities. As can be from the table no-1 current ratio was in 2015-16, because of decrease in the current asset but later increased in the 2016-18 and 1.61 in 2016-17, 2017-18, 2018-19 and 2019-20 years respectively, 1.61 & 1.61 2016-17 & 2017-18 year it is showing an inconsistent ratio denoting stability. The Tirumala dairy maintained current ratio which is more than the ideal ratio 2:1 in all years

Quick Ratio

Year	Quick Assets	Current Liabilities	Quick Ratio
2015-16	89,11,95,956	1,04,06,02,326	5.87
2016-17	85,28,30,803	83,96,92,182	1.01
2017-18	1,05,83,45,636	1,01,23,27,536	1.04
2018-19	1,04,95,02,913	90,43,77,431	1.16
2019-20	1,15,77,93,771	88,50,78,935	1.30

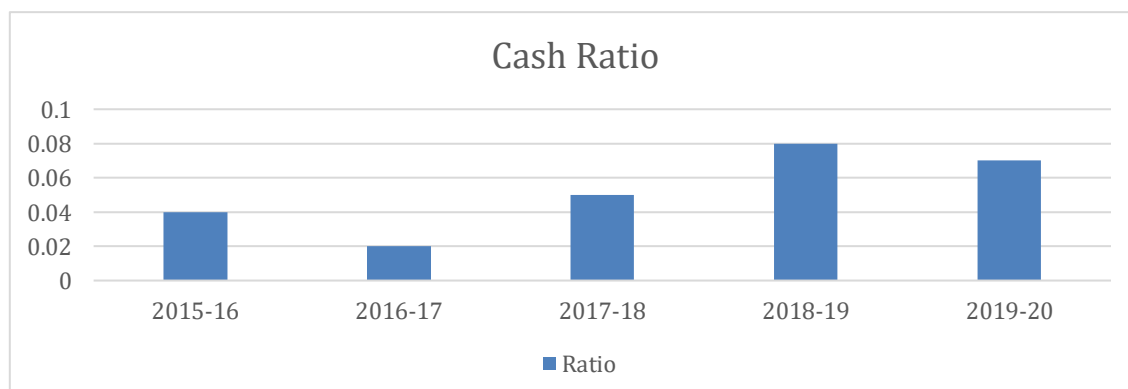


VI .INTERPRETETION

The standard norm of quick ratio of Tirumala Dairy Ltd. It was 5.87, 1.01, 1.04 in the year 2015-16, 2016-17 & 2017-18 respectively 1.16, 1.30 in 2018-19, 2019-20 respectively, so from the above ratios of Tirumala Dairy Ltd it is clear that the company maintains a high percentage of quick ratio

Cash Ratio

Year	Quick Assets	Current Liabilities	Cash Ratio
2015-16	4,46,15,362	1,04,06,02,326	0.04
2016-17	2,22,65,007	83,96,92,182	0.02
2017-18	5,63,38,114	1,01,23,27,536	0.05
2018-19	7,37,55,660	90,43,77,431	0.08
2019-20	7,00,82,119	88,50,78,935	0.07

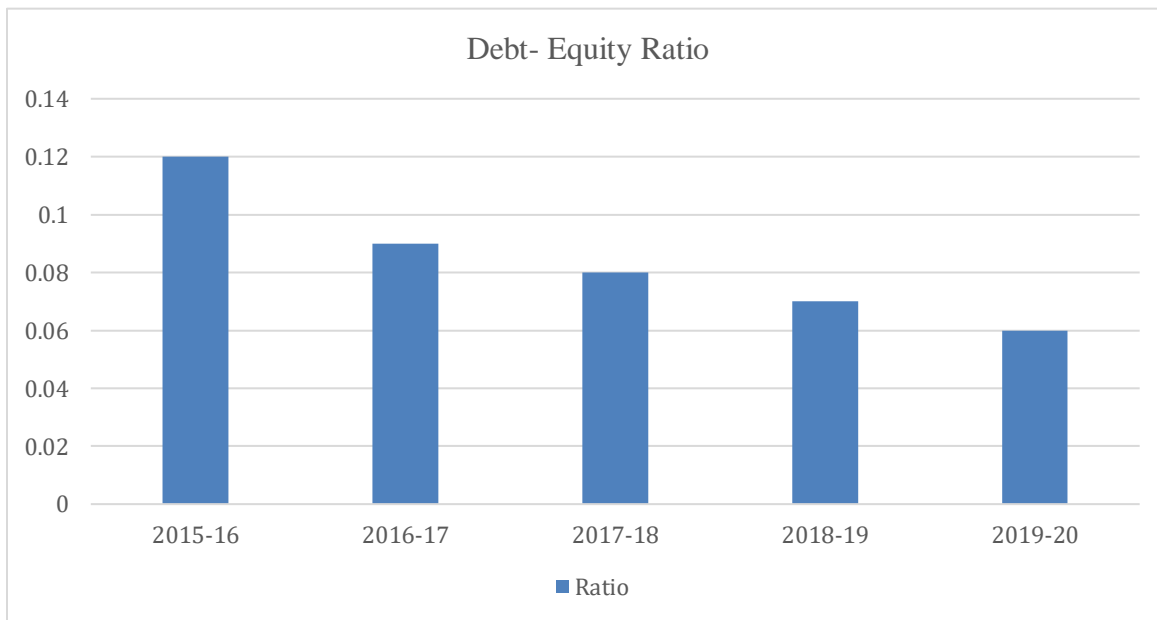


VII .INTERPRETETION

A standard norm of absolute liquid shows that 0.04 & 0.02 & 0.05 in 2015-16, 2016-17, 2017-18, and 0.08 & 0.07 in theyear 2018-19 and 2019-20 respectively. So the company's absolute liquid ratio was showing a mixed tren

Debt- Equity Ratio

Year	Quick Assets	Current Liabilities	Debt- Equity Ratio Ratio
2015-16	15,16,79,764	1,04,06,02,326	0.12
2016-17	12,38,09,229	83,96,92,182	0.09
2017-18	12,30,32,121	1,01,23,27,536	0.08
2018-19	10,79,15,347	90,43,77,431	0.07
2019-20	10,23,93,099	88,50,78,935	0.06

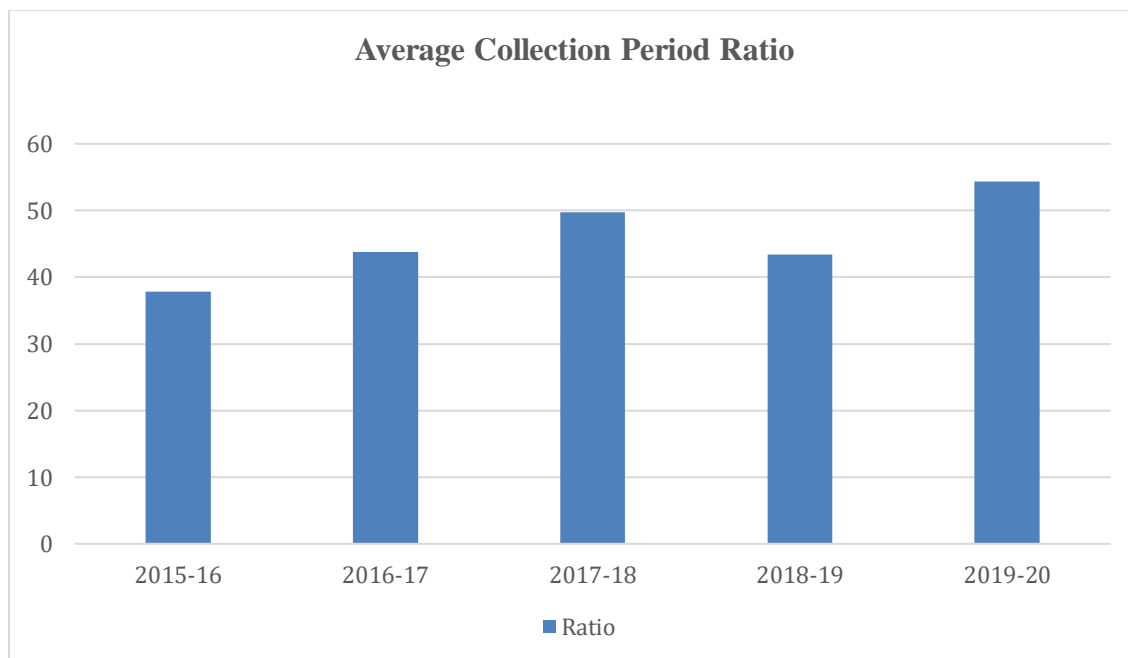


VIII .INTERPRETETION

This ratio indicates how much the company is leveraged (in debt) by comparing what is owned. A high debt to equity ratio could indicate that the company maybe over-leveraged, and should look for ways to reduce its debt. The above graph which has the ratio shows the mixed trend.

IX. AVERAGE COLLECTION PERIOD RATIO

Year	Quick Assets	Current Liabilities	Ratio
2015-16	365	1,04,06,02,326	37.86
2016-17	365	83,96,92,182	43.76
2017-18	365	1,01,23,27,536	49.72
2018-19	365	90,43,77,431	43.40
2019-20	365	88,50,78,935	54.31

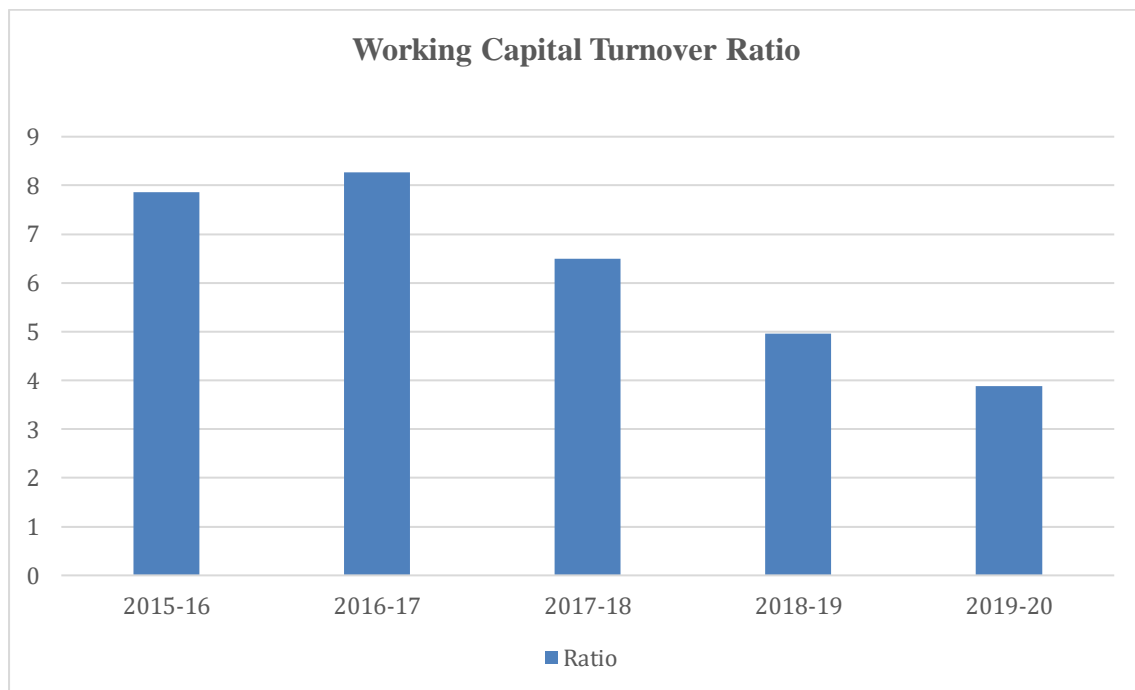


X. INTERPRETATION

From this table The ratio of Tirumala Dairy Ltd was showing that the ratio has increased from 2015-16 in 37.86, 43.76 & 49.72 in the year 2016-17 & 2017-18 and 43.40, 52.29 & 45.45 in 2015-16, 2016-17, 2017-18 respectively

Working Capital Turnover Ratio

Year	Net Sales	Net Working Capital	Working Capital Turnover Ratio
2015-16	4,13,53,74,125	52,60,99,784	7.86
2016-17	43,01,47,544	51,95,95,379	8.27
2017-18	4,01,86,14,014	61,80,18,789	6.50
2018-19	3,72,18,88,699	74,96,76,047	4.96
2019-20	3,21,29,13,565	82,77,51,769	3.88

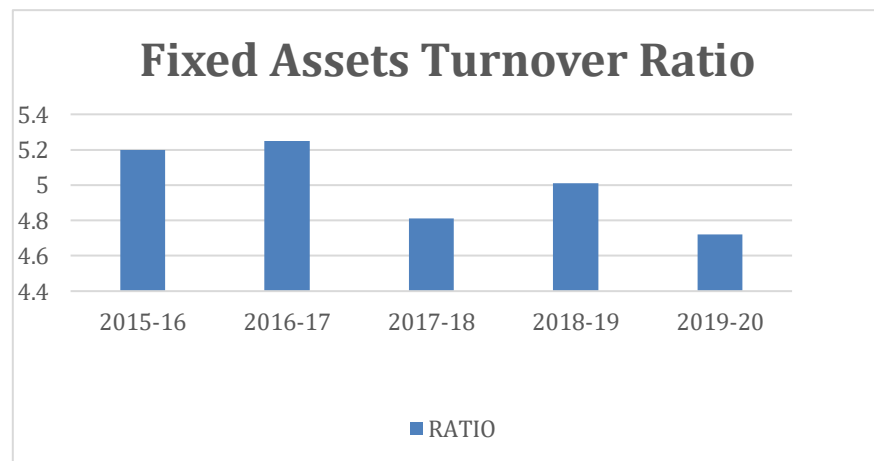


X1 . INTERPRETETION

From this table, Working Capital turnover ratio measures between working capital and the sales. The company's working capital turnover ratio as 7.86 in 2015-16 and after it increased to 8.27 in the year 2016-17 here the ratio is showing a mixed trend.

Fixed Assets Turnover Ratio

Year	Net Sales	Fixed Assets	Fixed Assets Turnover Ratio
2015-16	4,13,53,74,125	79,48,13,180	5.20
2016-17	43,01,47,544	81,83,19,599	5.25
2017-18	4,01,86,14,014	83,53,50,799	4.81
2018-19	3,72,18,88,699	74,21,71,690	5.01
2019-20	3,21,29,13,565	67,96,96,654	4.72

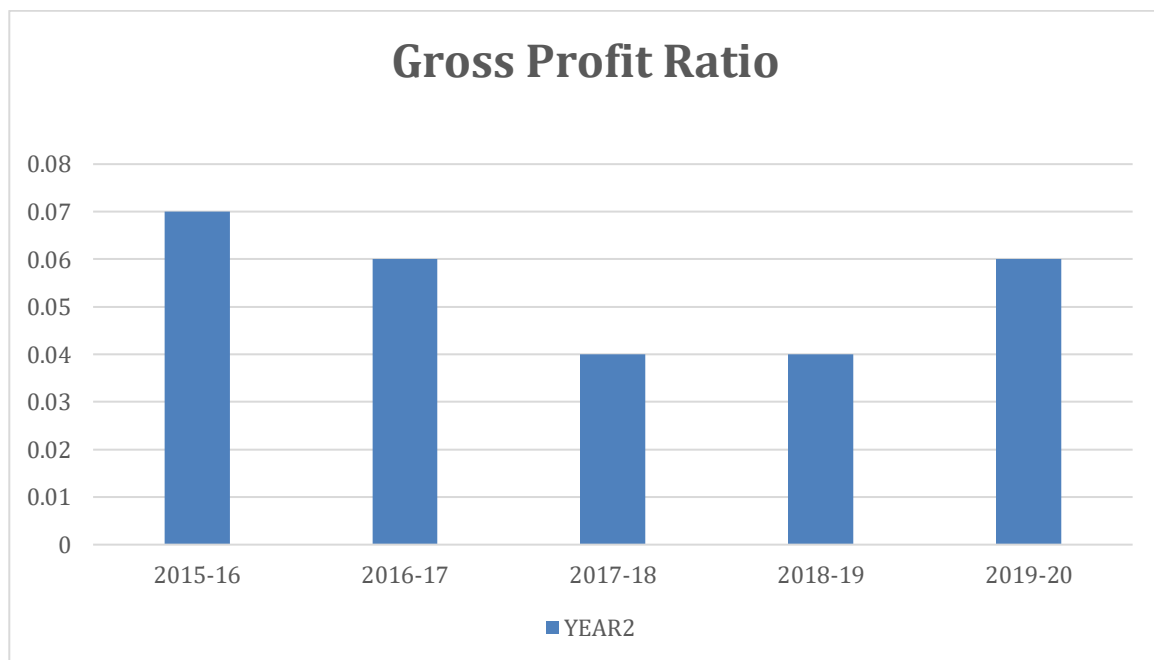


X11 .INTERPRETETION

This ratio measures the relationship between the sales and fixed assets. The fixed assets turnover ratio as it is increased to 5.20 & 5.25 in the years 2015-16 & 2016-17 respectively.

Gross Profit Ratio

Year	Net Sales	Gross Profit	Ratio
2015-16	4,13,53,74,125	32,07,01,011	0.07
2016-17	43,01,47,544	2,84,533,470	0.06
2017-18	4,01,86,14,014	18,60,42,444	0.04
2018-19	3,72,18,88,699	16,30,45,887	0.04
2019-20	3,21,29,13,565	19,67,90,985	0.06



X111 . INTERPRETETION

From this table, the gross profit ratio measures the relationship between the gross profit and sales.

13.1 FINDINGS

1. The gross profit Tirumala Dairy is declining continuously from 2015-20. As it implies the cost of production is increasing for every year.
2. Current Assets management needs to be more efficient. As conventional rule, a current ratio of 2:1 or more is considered satisfactory in Tirumala Dairy is maintained more than the suggested current ratio.
3. The debtors turnover is showing a decreasing tendency up to year 2016& later is showed an increasing tendency. In the year 2008 the ratio is 4.42 implies the fir collects the debts rapidly.
4. As then at the profit is declining from year to year and it represent slow inventory turnover.
5. The debtors turnover ratio has been decreasing year by year from 10.32 to the 7.432(2015-16 to 2019-20)
6. The return on investment is increased to 0.7 in the year 2019-20.

13.2 SUGGESTIONS

The company has to reduce the cost of collection in order to attain reasonable gross margined to ensure adequate coverage for operating expenses. The debtors from 2015-19 if the company continuous like this it can reduce the time & lack between cash collection. Net Profit of Tirumala Dairy Ltd is to improve pretax, operating income to cover fixed financing charges.

EBIT should be improved for the purpose of improving debt service coverage.

XIV . CONCLUSION

A study on Ration Analysis in Tirumala Dairy Ltd. Has been carried out as a project, the study was conducted was a period of 2016-17 to 2019-20. A thorough analysis was conducted period & the study has been done with the given annual reports and the financial reports.

The Ratio Analysis clearly indicates the financial performance of the company.

Analysis assured that financial performance of the company is up to satisfactory level and the company can meet it's obligations on time.

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