

**“A STUDY ON RATIO ANALYSIS AT
DRYTECH PROCESSES (I) PVT. LTD.”**

*Project Report Submitted in Partial
fulfillment of the requirement for the
award of Degree of*

**MASTER OF BUSINESS
ADMINISTRATION (MBA)**

Submitted by

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DECLARATION BY THE STUDENT

I Sakshi Moonat bearing Reg. No. 1408015080, hereby declare that this project report entitled “A Study on Ratio Analysis at DRYTECH PROCESSES (I) PVT. LTD. PANDHURNA” has been prepared by me towards the partial fulfillment of the requirement for the award of the Master of Business Administration (MBA) Degree. I also declare that this project report is my original work and has not been previously submitted for the award of any Degree, Diploma, Fellowship, or other similar titles.

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EXECUTIVE SUMMARY

This project is prepared at “DRYTECH PROCESSES (I) PVT. LTD. PANDHURNA” on “Study of Ratio Analysis” as a part of curriculum of the MBA program.

This topic is selected to study the ratio analysis of the company in order to measure the company's financial position, its profitability as well as its credit policy. The company have large amount of data which needs to be summarized, analyzed and interpreted accordingly in order to measure the operating performance & efficiency, profitability, solvency, liquidity, growth, etc. and the areas in which the company needs improvement. This can be done only with help of ‘Ratio Analysis’. Ratio analysis is widely used in financial analysis. It is defined as the systematic use of ratio to interpret the financial statements so that the strengths and weaknesses of a firm can be determined as well as its historical performance and current financial condition can be compared accordingly.

In this project, the procedure and method of measuring the overall financial position of the company in terms of solvency, profitability, liquidity, gearing and performance is explained in detail.

In lieu of this project work, a proper training at the Drytech Processes (I) Pvt. Ltd. was taken. This involved taking insight of how the work is carried out in the organization by charting out the management structure for an organization, understanding the accounting procedures that are being carried out, etc.

The management structure of the organization has been charted out by conducting meetings with all employees, collection of details regarding their name, positions, organizational environment, etc.

In this project work, the ratios of last three years were calculated through appropriate method and formula and then presented these three years ratio in the form of table and bar diagram for more accurate interpretation. And then, the ratios of the last three years were compared along with comparing them with the standard/ideal ratios and accordingly, the interpretations, findings and certain suggestions were given on them on the basis of analysis.

The observations and interpretations are given only after analyzing more than one time. The Profit & Loss A/c and Balance sheet of the company of last three years were taken for extracting the data for the calculation of ratios.

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LIST OF SYMBOLS AND ABBREVIATIONS

LIST OF SYMBOLS

Sl. No.	Symbol	Nomenclature and Meaning
1	H_0	Null hypotheses
2	H_1	Alternate Hypotheses

LIST OF ABBREVIATIONS

Sl. No.	Abbreviated Name	Full	Page No.
1	a/c	Account	3-43
2	Acc. Depreciation	Accumulated Depreciation	42
3	Misc. Expenses	Miscellaneous Expenses	42
4	EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization	43
5	EBIT	Earnings Before Interest And Tax	43
6	EBT	Earnings Before Tax	43
7	EPS	Earnings Per Share	43

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CHAPTER - 1

INTRODUCTION OF THE STUDY

Drytech Processes (I) Pvt. Ltd started since 1992 is India's well endowed futuristic spray drying company which serves Food, Flavor, Pharmaceutical and Nutraceutical Industries with excellent 'spray dried specialty ingredients'. Drytech Processes is the first company to start its operations in the 'Spray Drying Industry' and has ultimately become the Asia's largest gum Arabic manufacturing company.

Drytech had further advanced its activities in the spray drying process and enlarged its product portfolio to fat base powders, spray dried fruit powders, caseinates, natural colorants and several other exclusive ingredients for food and beverage industry. The head office of the Drytech Processes is in Mumbai. The production facility located in Pandhurna near Nagpur has the production capacity of 6000MT per year and the production facility located in Nagpur is FSSC 22000:2010 certified, which is an International Standard for Food Safety Management System.

Research and development at Drytech is a continuous process which involves innovation of existing and new products, up gradation of plant and machinery, improvement of quality standards, etc.

This project is about the 'Study of Ratio Analysis at Drytech Processes (I) Pvt. Ltd'. Ratio analysis is extensively used subject in the financial analysis. It is a quantitative analysis of the financial statements of the company which summarizes analyses and interprets the overall financial performance and financial position of the company. It also facilitates the comparison of ratios of previous years and current year along with comparing with the standard/ideal ratios and thus, helps in bringing out the weaknesses in which the company needs improvement.

In this project, the overall financial position of the company in terms of solvency, profitability, liquidity, gearing and performance is examined in detail with the help of ratio analysis.

CHAPTER - 2

OBJECTIVES OF THE STUDY

- To analyze the financial position of the organization.
- To study, analyze and interpret the different ratios.
- To provide suggestions to the organization regarding the areas of improvement through ratio analysis and interpretation which would help the organization maintain the financial position of the business, sound enough.
- To study the liquidity, solvency, profitability, performance and gearing of the organization.
- To compare the actual performance of the organization with the standard performance and suggest ways to rectify them.

CHAPTER - 3

LITERATURE REVIEW

3.1 THEORETICAL CONCEPT

The company have large amount of data which needs to be summarized, analyzed and interpreted accordingly in order to measure the operating performance & efficiency, profitability, solvency, liquidity, growth, etc. and the areas in which the company needs improvement. This can be done only with the help of 'Ratio Analysis'. In this process, a logical relationship is created between two or more accounting figures for comparison.

- Financial ratios are extensively used for modeling purposes both by practitioners and researchers. The firm involves many interested parties, like the owners, management, personnel, customers, suppliers, competitors, regulatory agencies, and academics, each having their views in applying financial statement analysis in their evaluations. Practitioners use financial ratios, for instance, to forecast the future success of companies, while the researchers' main interest has been to develop models exploiting these ratios. Many distinct areas of research involving financial ratios can be discerned. Historically one can observe several major themes in the financial analysis literature. There is overlapping in the observable themes, and they do not necessarily coincide with what theoretically might be the best founded areas.
- Before we proceed to the meaning of analysis of financial statements, we must first understand the meaning of 'analysis' and 'financial statements'.
- Analysis refers to creating a logical relationship between two or more items in such a way that a conclusion is drawn. By financial statements, we mean two statements- (1) profit & loss a/c, (2) balance sheet. These are prepared at the end of a given period of time. They are indicators of profitability and financial soundness of the business concern.
- Thus, analysis of financial statements refers to creating a logical relationship between various items of the financial statements, i.e., income statement and position statement.
- Analysis of financial statement has become an important aspect among those who are directly or indirectly interested in knowing the financial statements of the company and these persons are known as the 'Stakeholders' of the company. The various persons interested in the analysis of financial statements are:-

1. Short-term creditors: They are mostly the suppliers of the company who shall be interested to know whether the firm has the ability to meet their current liabilities by analyzing the liquidity position of the company.
2. Long-term creditors: They are interested to know whether the firm has the capability to meet its long term liabilities as they are the lenders of the firm.
3. Shareholders: They are the owners of the company and so they are interested to know about the profitability of the firm, return on their capital, earning per share, and capital appreciation, etc.
4. Management: A management is interested in each and every aspect of a company. Every information whether in or out of the company is essential for the management.
5. Trade unions: Trade unions are interested in the financial statements of the company to negotiate with the management regarding wages or salaries or bonus agreement.
6. Taxation authorities: They require financial statements of the company for computing and determining tax liability.
7. Researchers: They are interested in the financial statements of the company for undertaking research in business affairs and practices.
8. Employees: They are interested in the financial statements of the company to enable them to validate their demands for bonus and increase in remuneration.

3.2 TYPES OF RATIOS

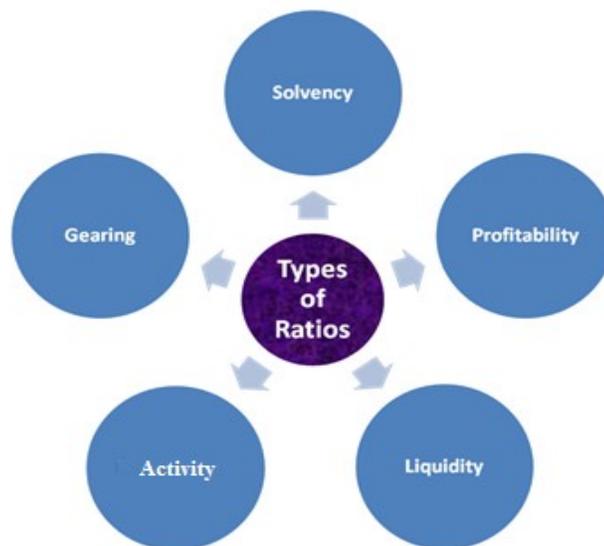


Figure 3.1 Block diagram of Types of Ratios

3.2.1 Liquidity Ratios

Liquidity ratios reveal the short term solvency of the firm which refers to the ability of the firm to meet its short term liabilities or current liabilities as and when they become due. This is the most important aspect for any company to maintain its liquidity position in order to improve goodwill and for smooth working of the business enterprise. A company with poor liquidity position is not able to purchase goods or services easily as the firm does not have the capability to make timely payment to the creditors.

3.2.1.1 Current Ratio

Current ratio indicates the relationship between current assets and current liabilities. The most ideal level of the current ratio is 2:1 as it implies a sound financial strength of the company. A current ratio less than 1.0 indicates that the company does not have adequate current assets to meet its current liabilities.

The current ratio is calculated as follows:

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \quad (3.1)$$

3.2.1.2 Cash Ratio

This is a further conventional estimate than the current ratio since assets other than cash and cash equivalents are excluded from this ratio. The cash ratio indicates the relationship of current liabilities with the organization's most liquid current assets. The ideal level of cash ratio is at least 0.5 to 0.75. If cash ratio is higher, it will be better.

It is calculated as follows,

$$\text{Cash ratio} = \frac{\text{Absolute liquid assets}}{\text{Current liabilities}} \quad (3.2)$$

3.2.1.3 Working Capital

Working Capital is the excess of current assets over current liabilities. It indicates the short term solvency of the firm as well as operating efficiency of the firm. Sufficient working capital is essential for the smooth working of the business enterprise. Working Capital is computed as follows:

$$\text{Working capital} = \text{Current assets} - \text{Current liabilities} \quad (3.3)$$

3.2.1.4 Quick Ratio

Quick Ratio is also termed as 'Liquid Ratio or 'Acid Test Ratio'. It indicates the relationship between quick assets and current liabilities. Quick assets are those assets which can be easily

converted into cash in a very short period of time and that is the reason why it does not include prepaid expenses and stock. The following equation defines the quick assets:

$$\text{Quick assets} = \text{Current Assets} - (\text{Stock} + \text{Prepaid Expenses}) \quad (3.4)$$

Hence, quick ratio analyzes the short term liquidity of the company as it compares the current liabilities with the quick assets and not with the current assets.

Quick ratio is computed as follows:

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current liabilities}} \quad (3.5)$$

3.2.1.5 Absolute Liquid Ratio

This ratio is also termed as ‘Super Quick Ratio’ as it compares the absolute liquid assets with the liquid liabilities. The ideal level of absolute liquid ratio is 0.5: 1. The absolute liquid assets and liquid liabilities are defined as follows:

$$\text{Absolute liquid assets} = \text{Cash in hand} + \text{Cash at Bank} + \text{Marketable Securities} \quad (3.6)$$

$$\text{Liquid liabilities} = \text{Current liabilities} - \text{Bank overdraft} \quad (3.7)$$

The absolute liquid ratio is computed as follows:

$$\text{Absolute Liquid Ratio} = \frac{\text{Absolute liquid assets}}{\text{liquid liabilities}} \quad (3.8)$$

3.2.2 Activity Ratios

Activity ratios are also known as ‘Turnover Ratios’ or ‘Performance Ratios’. These ratios indicate the efficiency with which the assets of an enterprise are utilized and are generally computed on the basis of sales or cost of sales. These are calculated to test the work performance and decision effectiveness of the management.

3.2.2.1 Debtors Turnover Ratio

The debtors’ turnover ratio indicates the efficiency with which an enterprise collects the amounts due from debtors. It shows the relationship between net credit sales and average debtors of a given year. The ratio determines the liquidity of accounts receivable of an enterprise. It is computed as follows,

$$\text{Debtors Turnover ratio} = \frac{\text{Net Credit sales}}{\text{Average Debtors}} \quad (3.9)$$

The Average Debtors is calculated as follows,

$$\text{Average Debtors} = \frac{\text{Opening debtors} + \text{Closing debtors}}{2} \quad (3.10)$$

3.2.2.2 Stock Turnover Ratio

Stock turnover ratio shows the relationship between the cost of goods sold and the average stock of an enterprise in a given year. The average stock is the average of opening stock and closing stock of a given year. If a stock turnover ratio is high, it indicates that the company had large amount of sales in a given year with very less amount of stock to be carried further.

It is calculated as follows,

$$\text{Stock Turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average stock}} \quad (3.11)$$

3.2.2.3 Creditors Turnover Ratio

Creditors Turnover Ratio shows the relationship between net credit purchases and average creditors of a given year. It is calculated as follows:

$$\text{Creditors Turnover ratio} = \frac{\text{Net Credit Purchases}}{\text{Average Creditors}} \quad (3.12)$$

3.2.2.4 Average Collection Period

Average collection period indicates the average period of time a company takes to collect payments due from its debtors, either in days or months. A company must have shorter collection period in order to maintain its liquidity position. It is calculated as follows:

$$\text{Average Collection period} = \frac{\text{Average Debtors/Receivables}}{\text{Net Credit Sales}} \times 365 \quad (3.13)$$

3.2.2.5 Average Payment Period

Average payment period indicates the average period of time a company takes to make payments to its creditors, either in days or months. The higher average payment period indicates that the company enjoys longer credit period and reaps larger benefits from its creditors and vice-versa. It is calculated as follows:

$$\text{Average Payment period} = \frac{\text{Average Creditors/Payables}}{\text{Net Credit Purchases}} \times 365 \quad (3.14)$$

3.2.2.6 Working Capital Turnover Ratio

Working capital turnover ratio indicates the efficiency with which the working capital is utilized in the firm. It is calculated as follows,

$$\text{Working Capital Turnover Ratio} = \frac{\text{Cost of goods sold}}{\text{Working capital}} \quad (3.15)$$

3.2.3 Solvency Ratios

Solvency ratios indicate the company's capability to pay off its short term and long term liabilities. The solvency of a company can be classified as short term solvency and long term solvency. The company must maintain both short term solvency and long term solvency position.

The short term solvency indicates the company's capability to meet its current liabilities and long term solvency indicates the company's capability to meet its long term liabilities.

3.2.3.1 Proprietary Ratios

Proprietary ratio shows the relationship between the proprietor's fund and total assets of the firm. It indicates the contribution of the shareholders towards total assets of the firm. Proprietor's fund is equal to equity share capital plus preference share capital plus reserves and surplus plus accumulated funds minus miscellaneous expenditure. If the proprietary ratio is higher, it is good for the company as it would mean less reliance on external liabilities but a too high ratio is not good for the company as it would mean under-utilization of external liabilities, which could ultimately prove costly to the company.

It is calculated as follows,

$$\text{Proprietary ratio} = \frac{\text{Proprietors fund}}{\text{Total assets}} \quad (3.16)$$

3.2.3.2 Debt-Equity Ratio

Debt-equity ratio shows the relationship between external liabilities and shareholder's fund. It is also known as 'External Internal Equity Ratio'. This ratio indicates the firm's ability to meet its long term financial obligations. The most preferable debt-equity ratio nowadays is 1:1 (otherwise 2:1 is considered safe). If the debt-equity ratio is high, it means that there is more external liability in the firm as compared to the shareholder's fund which is risky from the point of view of the creditors. On the other hand, if the debt-equity ratio is low, it means there is more shareholder's fund in the firm as compared to the external liabilities which is not good from the point of view of the shareholders as they are not able to avail the benefit of 'trading on equity'. Hence, there should be appropriate balance between external liabilities and shareholder's fund.

It is calculated as follows,

$$\text{Debt Equity ratio} = \frac{\text{Long term debts}}{\text{Share holders fund}} \quad (3.17)$$

3.2.3.3 Fixed Assets Ratio

Fixed assets ratio shows the relationship between net fixed assets (fixed assets after depreciation) and total long term funds (shareholders' fund plus long term debt) of the enterprise. This ratio indicates the contribution of total long term funds (or we can say capital employed) in the fixed assets of the enterprise. If the contribution of the capital employed is high in the fixed assets, it implies less contribution to the current assets which ultimately mean inadequate working capital

in the enterprise. This effects the liquidity position of the enterprise. The standard level for the fixed assets ratio is 1:1.

It is calculated as follows,

$$\text{Fixed Assets ratio} = \frac{\text{Net fixed assets}}{\text{Shareholders' funds} + \text{long term debt}} \quad (3.18)$$

3.2.3.4 Total Fixed Assets to Proprietors Equity

This ratio indicates the contribution of proprietors' fund in the fixed assets of the enterprise.

It is calculated as follows,

$$\text{Total Fixed assets to Proprietors equity} = \frac{\text{Total fixed assets}}{\text{Proprietors equity}} \quad (3.19)$$

3.2.3.5 Total Current Assets to Proprietors Equity

This ratio implies the contribution of proprietors' fund in the current assets of the enterprise. If the contribution is less, it means that the working capital is not adequate and liquidity position of the company is not good.

It is calculated as follows,

$$\text{Total Current assets to Proprietors equity} = \frac{\text{Total current assets}}{\text{Proprietors equity}} \quad (3.20)$$

3.2.4 Profitability Ratios

3.2.4.1 Return on Proprietors' Fund

This ratio is also known as 'Return on Shareholders' fund' or 'Return on Net Worth'. This ratio indicates the profit earning capacity of the firm in relation to the proprietors' fund.

It is calculated as follows,

$$\text{Return on Proprietors' fund} = \frac{\text{Net profit (after interest and tax)}}{\text{Shareholders' fund}} \times 100 \quad (3.21)$$

3.2.4.2 Net Profit to Total Assets Ratio

Net profit to total assets ratio indicates the efficiency with which the assets of enterprise are used by the management to generate profit or earnings. Higher the ratio the better will be the results for the organization. It is also known as 'Return on Assets Ratio'. It is calculated as follows,

$$\text{Net Profit to Total Assets ratio} = \frac{\text{Net profit}}{\text{Total assets}} \quad (3.22)$$

3.2.4.3 Return on Capital Employed

Return on capital employed indicates the operational efficiency of the enterprise and the efficiency with which the total long term funds (or capital employed) are utilized in generating the profits or earnings. It is calculated as follows,

$$\text{Return on Capital Employed} = \frac{\text{Net profit (before interest and tax)}}{\text{Capital employed}} \times 100 \quad (3.23)$$

3.2.4.4 Profit Margin (Return on Sales)

This ratio measures the profitability on sales throughout the year and it is an important indicator of measuring the efficiency of the organizations. It is calculated as follows,

$$\text{Return on Sales} = \frac{\text{Profit Before Tax}}{\text{Turnover}} \times 100 \quad (3.24)$$

3.2.4.5 Net Profit to Fixed Asset Ratio

This ratio indicates the efficiency with which the fixed assets of the enterprise are utilized in generating profits or earnings. It is calculated as follows,

$$\text{Net Profit to Fixed Asset Ratio} = \frac{\text{Net Profit (After Tax)}}{\text{Fixed Assets}} \quad (3.25)$$

3.2.5 Gearing Ratio

Gearing ratio indicates the liquidity and solvency position of the enterprise. It measures the financial leverage of the enterprise. If the gearing ratio is high, it means the company's financial leverage is higher which implies that the company is prone to high risk.

It is calculated as follows,

$$\text{Gearing Ratio} = \frac{(\text{Long Term Borrowings} + \text{Short Term Loans}) - \text{Cash}}{\text{Shareholders Funds}} \times 100 \quad (3.26)$$

3.3. Uses and Applications of Ratios

S.NO.	Parties Interested	To Test	Application of Ratios
1.	Creditors (short term), Investors, Money lenders, Social investigators, etc.	Liquidity and Solvency	a). Current ratio b). Liquid ratio c). Absolute liquid ratio d). Proprietary ratio e). Assets to proprietary ratio f). Debt- Equity ratio g). Capital gearing ratio
2.	Shareholders, Creditors(long term), Government, Social Investigators, etc.	Profitability	a). Gross profit ratio b). Net profit ratio c). Operating ratio d). Return on capital employed

			<ul style="list-style-type: none"> e). Dividend ratio f). Price earnings ratio g). Earnings per share h). Dividend per share
3.	Shareholders & outsiders	Capital Structure	<ul style="list-style-type: none"> a). Capital Gearing Ratio b). Equity Capital Ratio c). Long term loans to net worth

Table 3.1 Uses and Applications of Ratios

CHAPTER - 4

RESEARCH METHODOLOGY

Research is a systematic study or analysis or examination or investigation of either an existing hypothesis and model or some new speculations and models. It is a careful, thorough, organized, controlled, objective and purposive study which involves application of knowledge, scientific methods and procedure, insights, etc. with the main objective to bring out the result that may solve your problem for which you conducted the study or to draw conclusions with the justified facts regarding your problem of study.

The steps to be carried out in a typical Research study are as follows: -

- The management dilemma.
- Research problem definition.
- Research hypotheses formulation.
- Development of research proposal.
- Formulating research design.
- Formulating sampling design.
- Planning and collecting the data for research.
- Data refining and preparation for analysis.
- Data analysis and interpretation of findings.
- The research report and implications for the manager's dilemma.

4.1 RESEARCH HYPOTHESES

The null hypotheses and the alternate hypotheses of this project work are as follows,

H₀: The financial position of DRYTECH PROCESSES (I) PVT. LTD is good in terms of profitability, solvency, liquidity, performance, and gearing.

H₁: The financial position of DRYTECH PROCESSES (I) PVT. LTD is not good in terms of profitability, solvency, liquidity, performance, and gearing.

4.2 RESEARCH PLAN

The Research plan and methodology followed for the project study was as follows:

4.2.1 Problem definition

The Problem definition of this project work study is: "To know the financial position of the company, its profitability and the credit policy with the help of ratio analysis".

4.2.2 Research design

The research design used for the project work was the “Explorative Research Design”. In the research design followed, the emphasis was given to understand the problem and is carried out in some unstructured fashion.

4.2.3 Data collection

Data are the facts or figures which are collected, refined, classified, presented, analyzed, and interpreted in order to draw conclusions and obtain valid information. Hence, data is processed to acquire information. The data for the study was collected by two means i.e.

4.2.3.1 Primary data collection methods

4.2.3.1.1 Questionnaires

- ✓ I have collected the information regarding organizations history, its management structure, their future goals, etc by way of questionnaire method.
- ✓ Information regarding financial history and financial position of the business enterprise was collected from the internal auditor of the organization.
- ✓ The information gathered here is about firm, understanding the business and policies of firm related to finance.

4.2.3.2 Secondary data collection methods

4.2.3.2.1 Internet

- ✓ The data containing various information regarding ratio analysis, formulae, figures, charts, diagrams, etc. is been picked up from the internet, through Google search engine.
- ✓ The references of the websites are given while writing the data picked from the relevant websites.

4.2.3.2.2 Books of Accounts

- ✓ The secondary data is collected with help of documents available with the company.
- ✓ It includes Annual report of the company, Accounting and Financial Records, Personal Records of Finance Manager etc. Most of the information was collected through the secondary data.

4.2.4 Data processing and analysis

This is the next step in Study where the collected data was arranged in sequential and appropriate manner. Here, data is first edited followed by data classification and tabulation.

4.2.5 Interpretation of data

In interpretation of data, inferences were drawn from data analyzed. It has added value to an otherwise amorphous data, by lending meaning to what lies within the data. It has helped to explain the abstract principles that operate beneath the findings and also helped to draw the final conclusions.

4.3 RESEARCH PROCEDURE

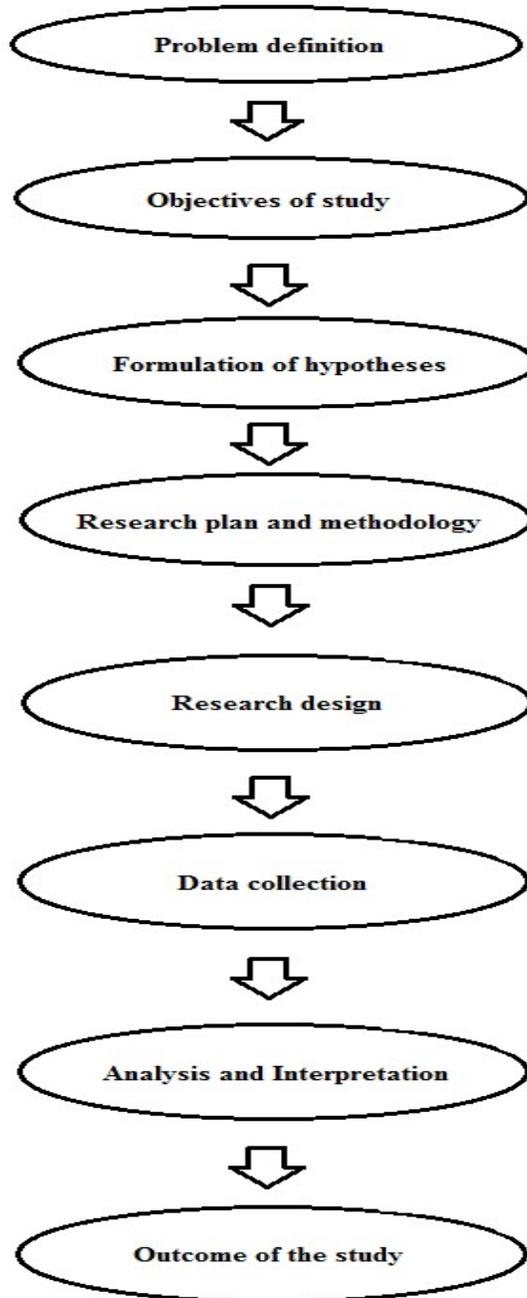


Figure 4.1 Block diagram of Research Procedure

The research procedure followed in this project work is explained as follows: -

The project work was started with the problem definition that is, defining the problem for which the research study is done. It was “To know the financial position of the company, its profitability and the credit policy with the help of ratio analysis”. Then it was proceeded with laying down the major objectives which makes it easy to plan and implement in the relevant areas the outcome is required. This was followed by the formulation of research hypotheses for the project study. Then the research plan was framed and the methodology was decided upon which shall direct how to carry out the further project work in order to get the outcome. This was accompanied by the research design and “Explorative Research Design” was selected for the project work. In the research design followed, the emphasis was given to understand the problem and is carried out in some unstructured fashion. Then the required data was collected needed for the calculation of ratios and further analysis. Once the analysis was done, the ratios were compared and interpreted accordingly. Finally, the findings and outcome were shown and appropriate suggestions were given according to the study.

CHAPTER - 5

DATA ANALYSIS AND INTERPRETATION

5.1 LIQUIDITY RATIO

5.1.1 Current Ratio

Formula,

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \quad (5.1)$$

For example,

$$2012-13 \text{ Current Ratio} = (33.89) / (17.03) = 1.99$$

(In lakhs)

Particulars	2012-13	2013-14	2014-15
Current assets	33.89	28.50	25.33
Current liabilities	17.03	12.26	10.06
Current ratio	1.99	2.32	2.51

Table 5.1 Calculation of current ratio (Source: annual report)

Shown below is the bar diagram of the above calculations,

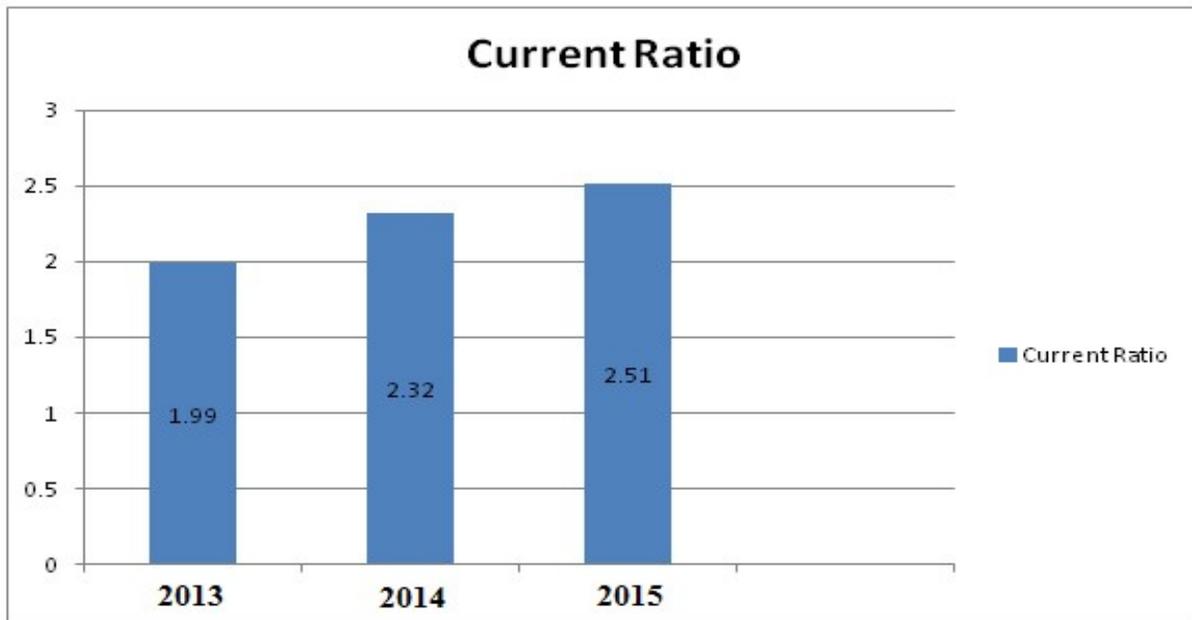


Figure 5.1 Bar diagram of Current ratio

Interpretation

- The normal standard ratio to be maintained is 2:1,

- As we can see in the chart, in the year of 2014 & 2015, the company had a ratio of more than 2:1, which states that the company has more than 2 rupees of current assets to pay off 1 rupee of current liability, showing good liquidity position.
- While in the year of 2014, the company had a ratio of 1.99, which is considered to be a normal in the IT industry, and overall liquidity position is good.
- Higher the current ratio, it is always better for the organization.

5.1.2 Quick ratio

Quick ratio indicates the relationship between quick assets and current liabilities. The quick assets are computed as follows,

$$\text{Quick assets} = \text{current assets} - \text{stocks} - \text{prepaid expenses} \quad (5.2)$$

Formula,

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}} \quad (5.3)$$

$$2012-13 \text{ Quick Ratio} = (29.58) / (17.03) = 1.74$$

Particulars	2012-13 (in lakhs)	2013-14 (in lakhs)	2014-15 (in lakhs)
Quick assets	29.58	25.25	22.46
Current liabilities	17.03	12.26	10.06
Quick ratio	1.74	2.06	2.23

Table 5.2 Calculation of Quick ratio

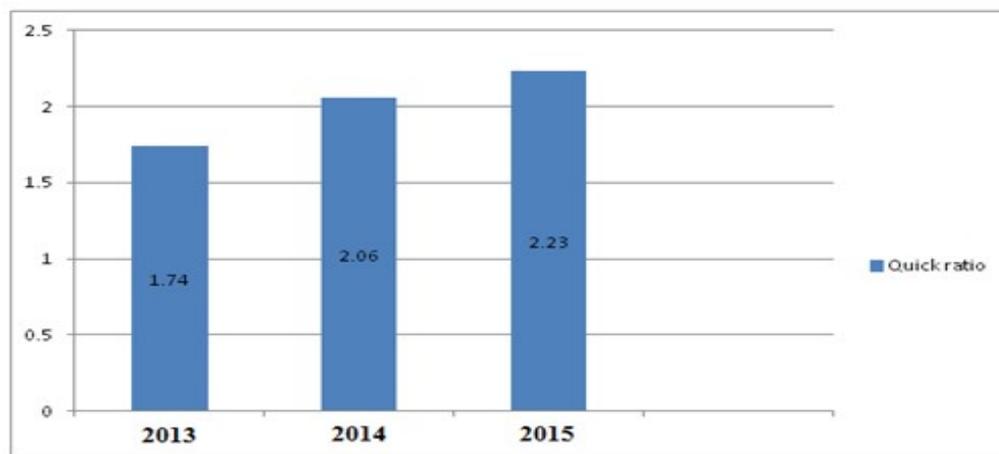


Figure 5.2 Bar diagram of Quick ratio

Interpretation

- The standard ratio of 1:1 should be maintained, as a company should have 1 rupee of liquid assets (i.e. cash), to pay off 1 rupee of liquid liabilities (i.e. immediate obligations).
- As we can see in the chart, in the year of 2013, 2014 & 2015, the company had more than 1 Rupee of liquid assets to pay off 1 Rupee of liquid liabilities, which states that the company was in good liquidity position in those years.
- Higher the liquidity ratio, it is always better for the organization.
- The above graph also indicates that the solvency position of the company is good.

5.1.3 Absolute liquid ratio

This ratio shows the relationship between absolute liquid assets and quick liabilities.

The absolute liquid assets are computed as follows,

$$\text{Absolute liquid assets} = \text{cash in hand} + \text{cash at bank} + \text{marketable securities} \quad (5.4)$$

Formula,

$$\text{Absolute Liquid Ratio} = \frac{\text{Absolute Liquid Assets}}{\text{Quick Liabilities}} \quad (5.5)$$
$$2012-13 \text{ Absolute Liquid Ratio} = (10.34)/17.03 = 0.61$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Absolute liquid assets	10.34	7.62	7.61
Absolute liquid liabilities	17.03	12.26	10.06
Absolute liquid ratio	0.61	0.62	0.76

Table 5.3 Calculation of Absolute liquid ratio

The above calculated is explained with the help of a bar diagram which is as follows,

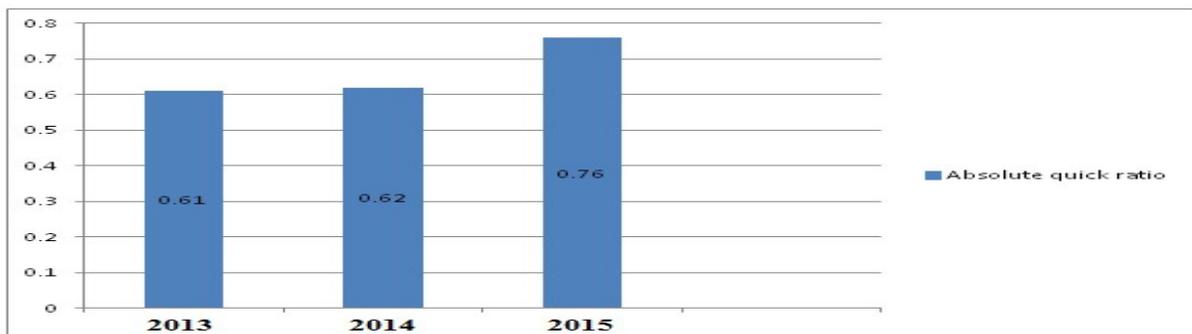


Figure 5.3 Bar diagram of Absolute quick ratio

Interpretation

- Generally a standard ratio of 1:1 is to be maintained.
- But, since all the creditors shall not demand money at the same time, the normal ratio to be considered is 0.5:1.
- In 2013 & 2014, the cash ratio is 0.61 & 0.62 respectively, which states the normal absolute liquidity position.
- In the year of 2015, it is 0.76, which ultimately states the good liquidity position of a company as it can pay 1 Rs. of quick liabilities due to cash availability.

5.2 SOLVENCY RATIOS

5.2.1 Proprietary ratio

Formula,

$$\text{Proprietary ratio} = \frac{\text{Proprietors Fund}}{\text{Total Assets}} \quad (5.6)$$

$$2012-13 \text{ Proprietary ratio} = (42.14) / (57.20) = 0.736$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Proprietor's fund	42.14	37.50	34.75
Total Assets	57.20	62.00	66.64
Proprietary ratio	0.736	0.604	0.521

Table 5.4 Calculation of Proprietary ratio

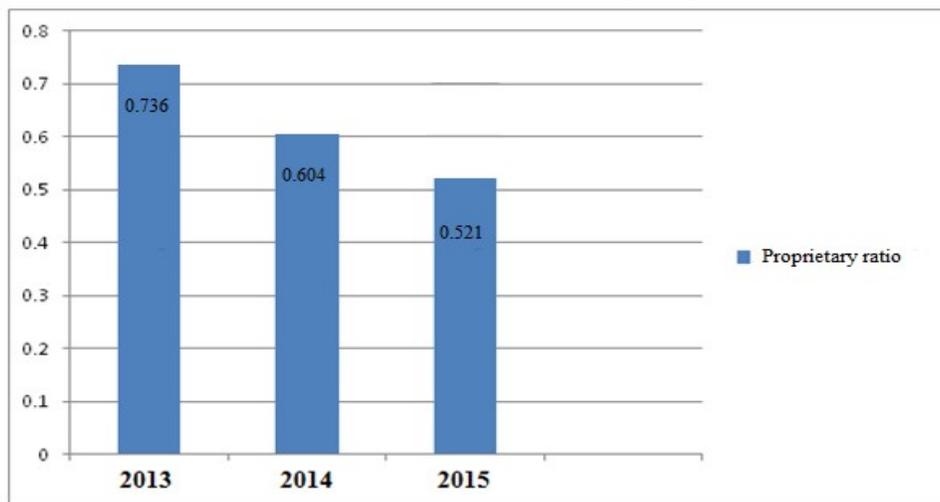


Figure 5.4 Bar diagram of Proprietary ratio

Interpretation

- The ideal proprietary ratio is 0.5:1
- The ratio of all three years indicates sound financial position of the company and in 2013, being the highest.
- It is seen in the figure that the ratio decreased in the subsequent years.

5.2.2 Debt-Equity ratio

Formula,

$$\text{Debt Equity Ratio} = \frac{\text{Long Term Debts}}{\text{Shareholders Fund}} \quad (5.7)$$

$$\text{2012-13 Debt-Equity Ratio} = (24.50) / (42.14) = 0.58$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Long term Debt	24.50	24.50	22.45
Shareholders Fund	42.14	37.50	34.75
Debt-Equity Ratio	0.58	0.65	0.65

Table 5.5 Calculation of Debt-equity ratio

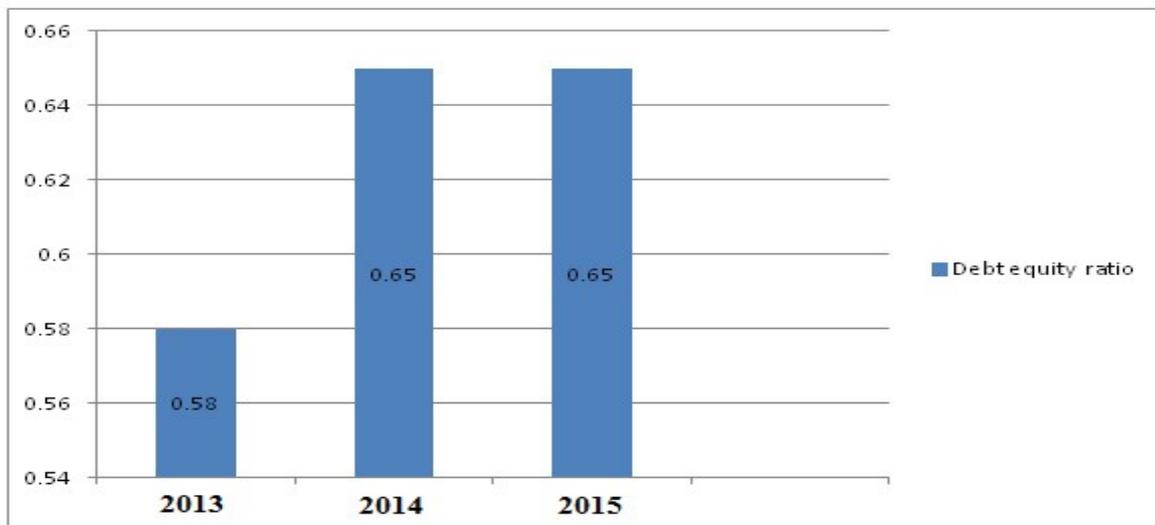


Figure 5.5 Bar diagram of Debt-equity ratio

Interpretation

- The normal standard norm for such ratio is 2:1, whereas in IT industry, a ratio of max 3:1 is considered to be normal.

- As we can see in the chart, in the year 2013, the firm has 0.58:1 ratio, which states that debt capital is very less to the equity capital, which ultimately means that the cost of capital is low in certain case, and the equity holders would be able to earn returns out of it.
- Whereas in 2014, we can see the ratio is 0.65:1, which is good as compared to the previous one.
- In 2015, it is same as previous year.

5.2.3 Fixed assets ratio

Formula,

$$\text{Fixed Asset Ratio} = \frac{\text{Fixed Assets (After Depreciation)}}{\text{Total Long Term Funds}} \quad (5.8)$$

$$2012-13 \text{ Fixed Asset Ratio} = (48.13) / (24.50) = 1.97$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Fixed asset(After Depreciation)	48.13	45.76	41.93
Total long term Fund	24.50	24.50	22.45
Fixed Asset Ratio	1.97	1.87	1.87

Table 5.6 Calculation of Fixed asset ratio

The above calculation is explained below with the help of a bar diagram,

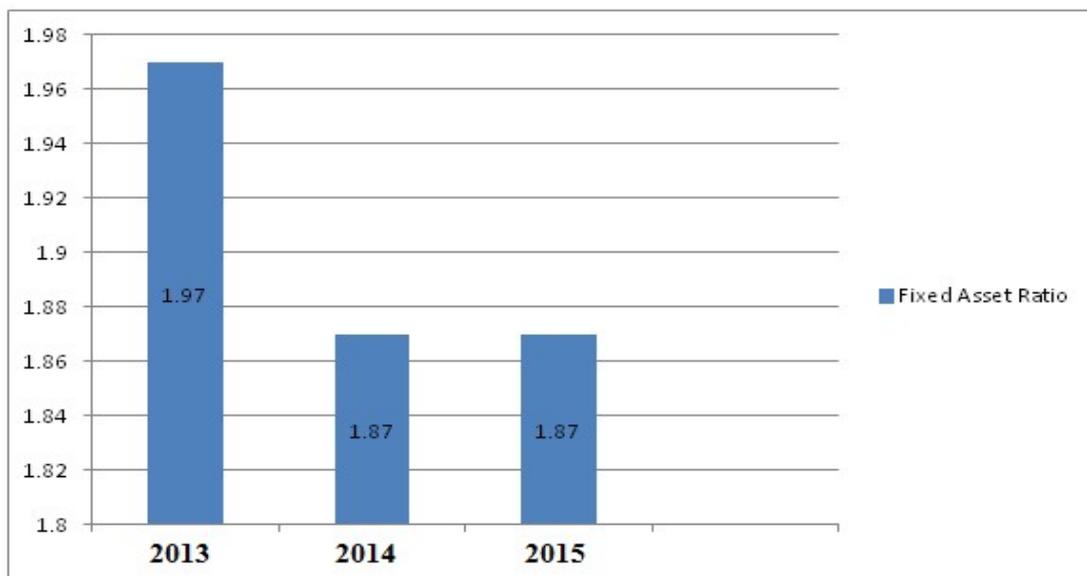


Figure 5.6 Bar diagram of Fixed Asset Ratio

Interpretation,

- Normally, entire investments in fixed assets should be equivalent to the total long term funds, i.e. the ratio must be 1:1 or 100%.
- But as we can see in the chart, in the year 2013, 1.97 of the long term funds are invested into the fixed assets.
- While in 2014, 1.87 of the total long term funds is invested into the fixed assets.
- In year 2015, the investment in fixed asset out of the total long term debt is 1.87, so overall it is shows that the long term funds are effectively utilized in fixed asset.

5.2.4 Total Fixed Asset to Proprietors Equity: -

Formula,

$$\text{Total Fixed Asset to Proprietors Equity Ratio} = \frac{\text{Total Fixed Assets}}{\text{Proprietors Equity}} \quad (5.9)$$

$$2012-13 \text{ Total Fixed Asset to Proprietors Equity Ratio} = (48.13) / (42.14) = 1.14$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Total Fixed asset(After Depreciation)	48.13	45.76	41.93
Proprietors Equity	42.14	37.50	34.75
Total Fixed Asset to Proprietors Equity Ratio	1.14	1.22	1.21

Table 5.7: Calculation of Total fixed assets to Proprietors equity

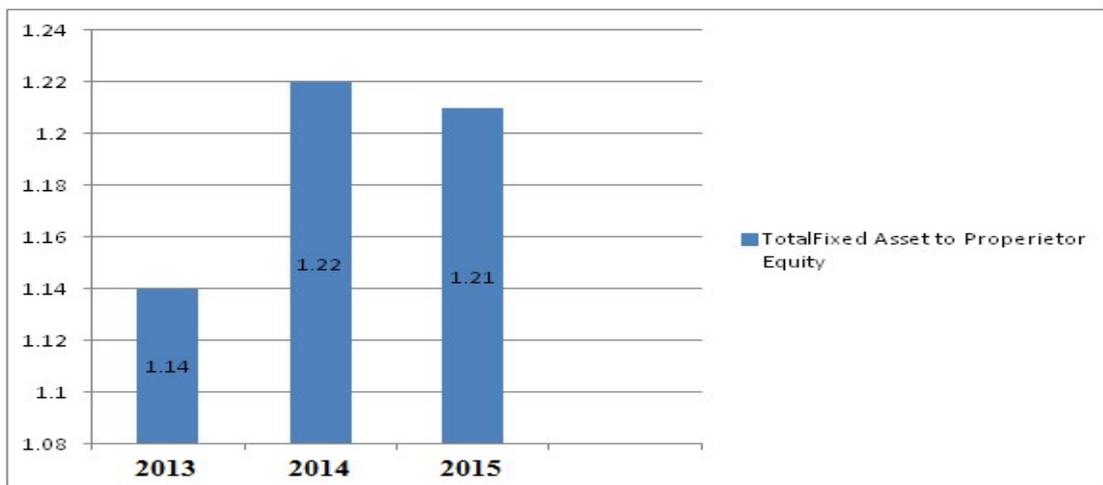


Figure 5.7 Bar diagram of Total Fixed Asset to Proprietors Equity

Interpretation,

- Normally, 60% to 75% of the proprietors fund should be invested into the total fixed assets.
- As we can see in the chart, in the year of 2013, the company invested 1.14 of the proprietors fund in total fixed assets, which is more than a half of a standard norm.
- While in 2014, 1.22 is invested in the same, which is highest in all the years.
- And in 2015, 1.21 of proprietors fund is utilized to acquire the total assets of the firm.
- In all the years, this ratio represents that excessive amount of proprietors equity is being invested into the fixed assets, which may definitely give higher returns to the proprietors but only if the fixed assets are properly utilized otherwise the solvency position of the company may get affected.

5.2.5 Total Current Asset to Proprietors Equity ratio: -

Formula,

$$\text{Total Current Asset to Proprietors Equity} = \frac{\text{Total Current Assets}}{\text{Proprietors Equity}} \quad (5.10)$$

$$2012-13 \text{ Total Current Asset to Proprietors Equity} = (33.89) / (42.14) = 0.84$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Total Current asset	33.89	28.50	25.33
Proprietors Equity	42.14	37.50	34.75
Total Current Asset to Proprietors Equity Ratio	0.84	0.76	0.73

Table 5.8 Calculation of Total Current Asset to Proprietors Equity ratio

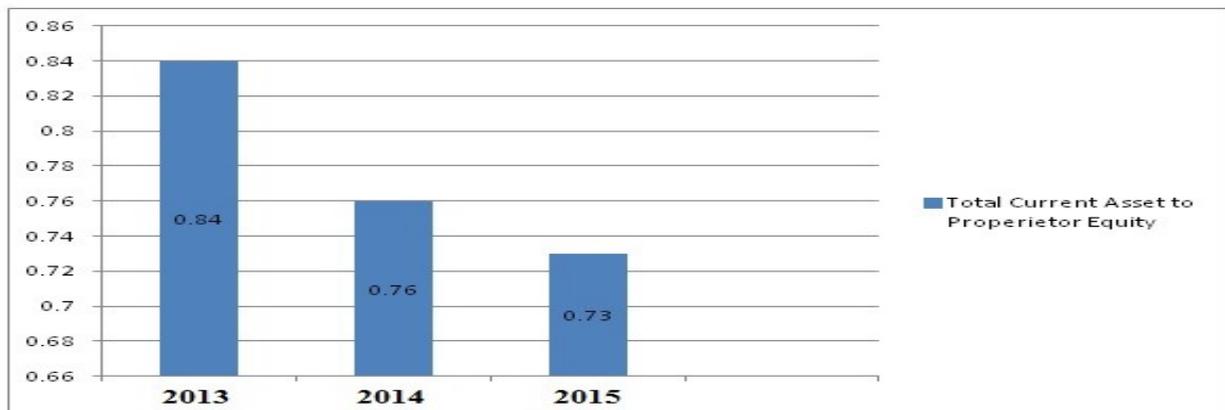


Figure 5.8 Bar diagram of Total Current Asset to Proprietors Equity ratio

Interpretations,

- There are no specific norms regarding how much proprietor's equity should be invested in the current assets.
- From the above data, it seems that very less amount of proprietor's equity is invested in the current assets which implies working capital must be inadequate thereby affecting the solvency position of the company.
- As we can see above, in all the years the current assets are surplus financed through working capital, which is not good for an organizations solvency position.

5.3 PROFIT ABILITY RATIOS

5.3.1 Return on Proprietors fund

Formula,

$$\text{Return on Proprietor fund Ratio} = \frac{\text{Net Profit (After Tax)}}{\text{Proprietors Fund}} \quad (5.11)$$

$$2012-13 \text{ Return on Proprietors fund Ratio} = (7.3) / (42.14) = 0.17$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Net profit (after tax)	7.3	8.83	7.33
Proprietors fund	42.14	37.50	34.75
Return on proprietors fund	0.17	0.23	0.21

Table 5.9 Calculation of Return on Proprietors fund

The above calculation is explained below with the help of a bar diagram as follows: -

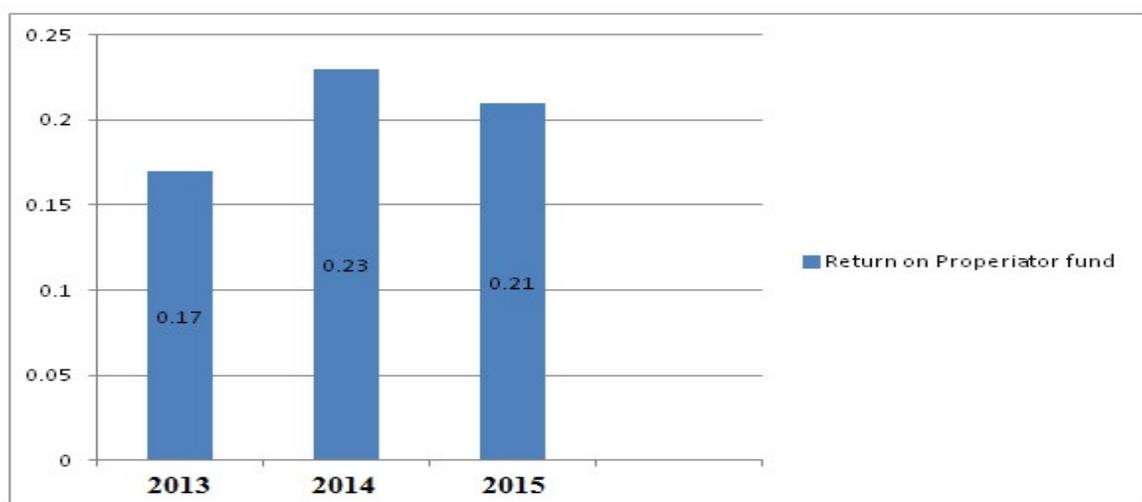


Figure 5.9 Bar diagram of Return on Proprietors fund

Interpretations,

- As we can see in the chart above, in the year of 2013, the proprietors had very low returns i.e. only 17%
- Whereas the percentage of profitability increased extensively in the year of 2014, which is 23% which implies that the proprietors had good returns out of the business and the overall profitability was better in that year as compared to the previous year.
- Then, in 2015, the returns again lowered down to 21%, which implies either there is improper utilization of proprietors' fund or it may be due to the ups and downs in the net profit of the company.

5.3.2 Net Profit to Total Assets Ratio: -

Formula,

$$\text{Net Profit to Total Asset Ratio} = \frac{\text{Net Profit (After Tax)}}{\text{Total Assets}} \quad (5.12)$$

$$2012-13 \text{ Net Profit to Total Asset Ratio} = (7.3) / (66.64) = 0.11$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Net profit (after tax)	7.3	8.83	7.33
Total Assets	66.64	62.00	57.20
Net Profit to Total Asset ratio	0.11	0.14	0.13

Table 5.10 Calculation of Net Profit to Total Asset ratio

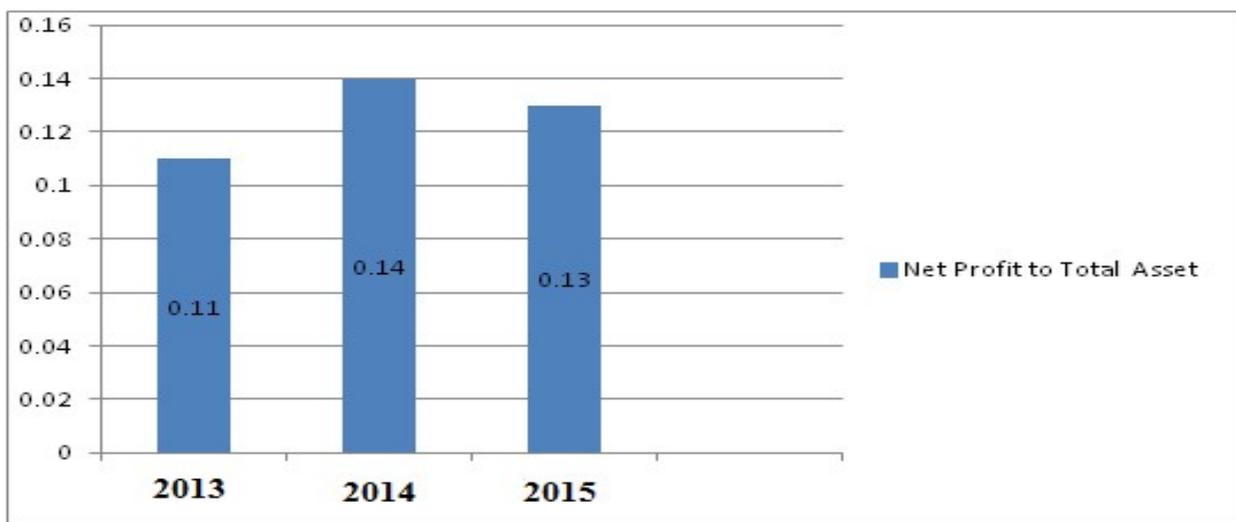


Figure 5.10 Bar diagram of Net Profit to Total Asset ratio

Interpretation,

- As we can see in the chart above, in all the three years the percentage is very low, which ultimately states that the assets are not being properly used till now.
- It also states that the total assets have contributed very less, i.e. 0.11, 0.14 and 0.13 in 2013, 2014 & 2015 respectively, in the net profits of the company.

5.3.3 Net Profit to Fixed Asset Ratio

Formula,

$$\text{Net Profit to Fixed Asset Ratio} = \frac{\text{Net Profit (After Tax)}}{\text{Fixed Assets}} \quad (5.13)$$

$$2012-13 \text{ Net Profit to Fixed Asset Ratio} = (7.3) / (48.13) = 0.15$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Net profit (after tax)	7.3	8.83	7.33
Fixed Asset	48.13	45.76	41.93
Net Profit to Fixed Asset ratio	0.15	0.19	0.18

Table 5.11 Calculation of Net Profit to Fixed Asset ratio

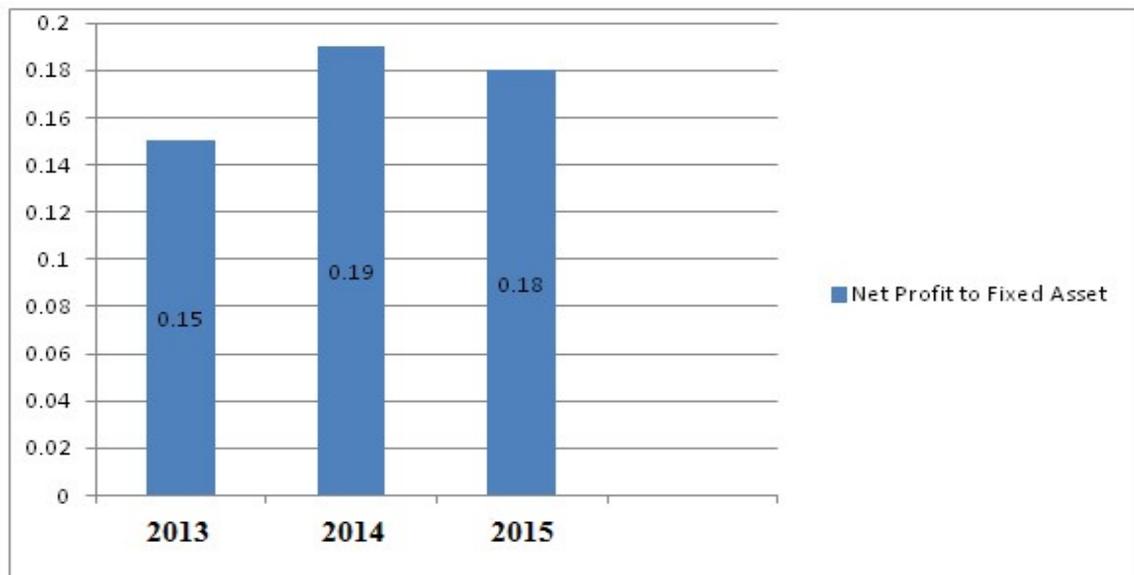


Figure 5.11 Bar diagram of Net Profit to Fixed Asset Ratio

Interpretation,

- This ratio indicates whether the fixed asset have been effectively utilized in the business or not.

- As we can see in the chart above, out of the total contribution of total assets, the fixed assets have contributed, 15%, 19%, & 18%, in 2013, 2014, 2015, respectively.
- The above graph shows that the fixed asset has been effectively utilized and contributed to profit as per the norm which is 15%.

5.3.4 Return on Capital Employed

Formula,

$$\text{Return on Capital Employed} = \frac{\text{Net Profit (Before interest and tax)}}{\text{Capital Employed}} \times 100 \quad (5.14)$$

$$2012-13 \text{ Return on Capital Employed} = (10.74/57.20) \times 100 = 19\%$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Net profit (before interest and tax)	10.74	12.95	11.07
Capital Employed	57.20	62.00	66.64
Return on Capital Employed	0.19	0.21	0.17

Table 5.12 Calculation of Return on Capital Employed

The above calculation is explained below with the help of a bar diagram as follows: -

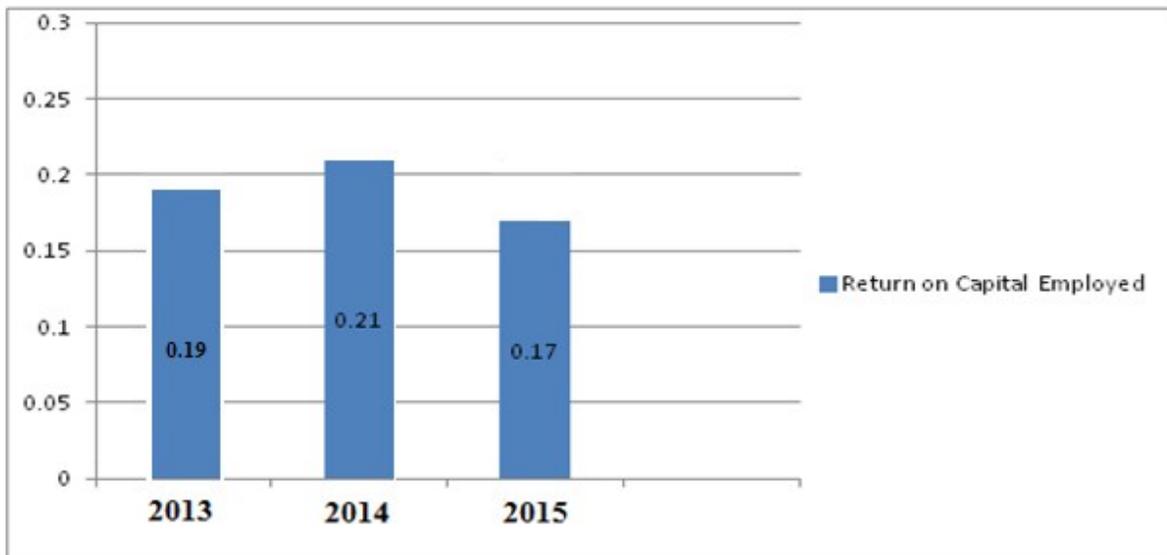


Figure 5.12 Bar diagram of Return on Capital Employed

Interpretations,

- Normally, the range of 7% to 35% is considered to be normal, in the IT industry.

- As we can see, return on capital employed is increased from 19% in 2013 to 21% in 2014. This implies sound operational efficiency of the enterprise.
- But, the ratio had unfortunately declined to 17% in the year 2015 which may be due to the reason that the total expenditure were increased in the given year in comparison to the net sales of that year.

5.3.5 Profit Margin (Return on Sales)

Formula,

$$\text{Return on Sales} = \frac{\text{Profit Before Tax}}{\text{Turnover}} \times 100 \quad (5.15)$$

$$2012-13 \text{ Return on Sales} = (9.86) / (57.30) \times 100 = 0.17$$

Following is the calculation of the Profit Margin (Return on Sales) ratio of the last three years,

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Net profit (Before tax)	9.86	11.93	9.9
Turnover	57.30	54.65	48.73
Profit Margin ratio	0.17	0.22	0.21

Table 5.13 Calculation of Profit Margin ratio

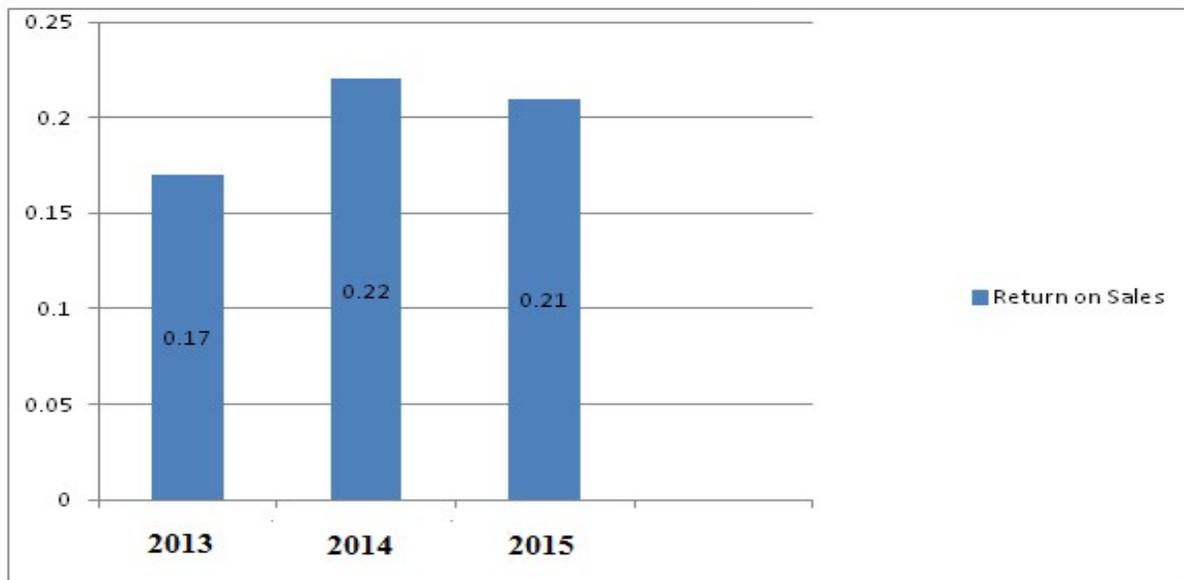


Figure 5.13 Bar diagram of Return on Sales ratio

Interpretation,

- Normally, around 6% to 8% is considered as a standard profit margin, in the IT industry.

- As we can see in the above chart, we can observe that profit margin is continuously rising over the years, which is good for any organization.
- In the year of 2015, it has moved up to 20%, which is very good for the organization.

5.4 ACTIVITY RATIOS

Activity or Efficiency ratios measures the effective use of existing resources and the same is expressed in relation to turnover or sales or cost of goods sold. Hence these ratios are termed as turnover ratios.

5.4.1 Debtors Turnover Ratio

$$\text{Average debtors} = \frac{\text{Opening debtors} + \text{Closing debtors}}{2} \quad (5.16)$$

Formula,

$$\text{Debtors Turnover Ratio} = \frac{\text{Credit Sales}}{\text{Average Debtors}} \quad (5.17)$$

$$2012-13 \text{ Debtors Turnover Ratio} = (57.30) / (19.24) = 2.98$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Credit Sales	57.30	54.65	48.73
Average Debtors	19.24	17.63	14.85
Debtors Turnover Ratio	2.98 times	3.1 times	3.24 times

Table 5.14 Calculation of Debtors Turnover Ratio

The above calculation is explained below with the help of a bar diagram as follows: -

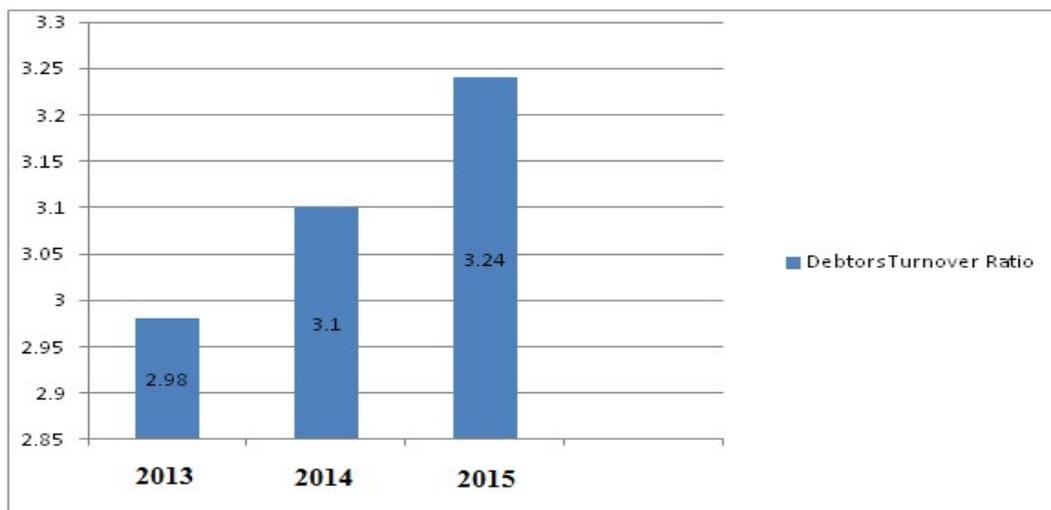


Figure 5.14 Bar diagram of Debtors Turnover Ratio

5.4.2 Average collection period

Formula,

$$\text{Average Collection Period} = \frac{\text{Debtors}}{\text{Credit Sales}} \times 365 \text{ Days} \quad (5.18)$$

$$2012-13 \text{ Collection Period} = (19.24) / (57.30) \times 365 \text{ Days} = 122.5 \text{ days}$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Debtors	19.24	17.63	14.85
Credit Sales	57.30	54.65	48.73
Average Collection Period	122.5 days	117.8 days	111 days

Table 5.15: Calculation of Average Collection Period

The above calculation is explained below with the help of a bar diagram as follows,

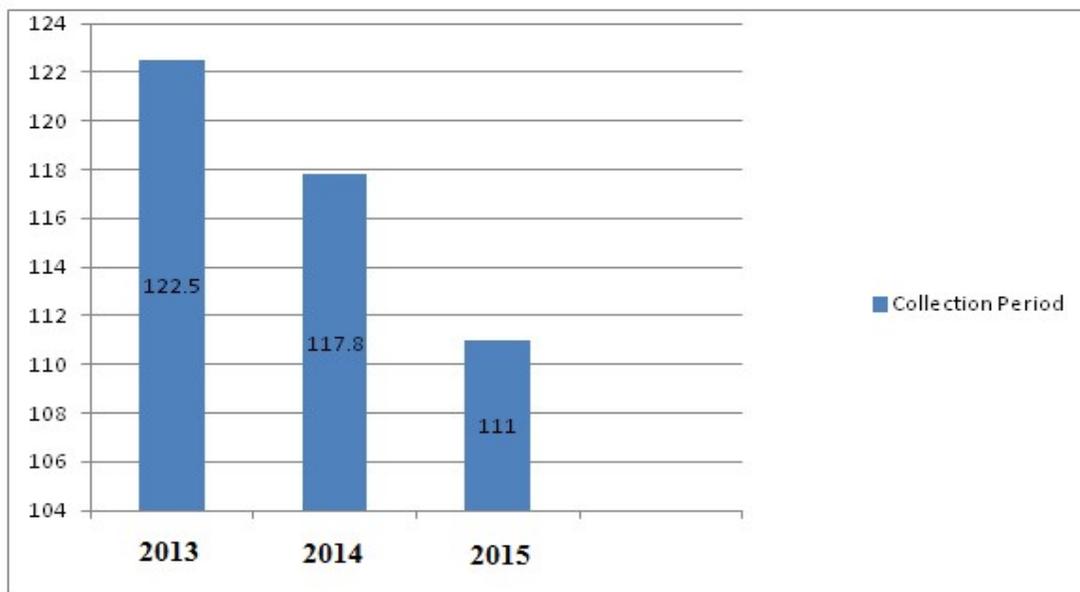


Figure 5.15 Bar diagram of Average Collection Period

Interpretation,

- As we can see in the above chart, the Debtors Turnover Ratio was highest in the year of 2015 when compared to the other financial years, i.e. 3.24 times as the collection period was 111 days, but still it is not good as the collection period is much higher than the norms.
- While in 2013 & 2014, the Debtors Turnover Ratio was 3 times as the collection period was 122.5 days, & 2.98 times as the collection period was 117.8 days respectively.

- The very low debtor's turnover ratio of the company implies that the collection period is too high and therefore it is unfavorable from the liquidity point of view and for the long term solvency of the company.

5.4.3 Creditors Turnover Ratio

Formula,

$$\text{Creditors Turnover Ratio} = \frac{\text{Credit Purchases}}{\text{Average Creditors}} \quad (5.19)$$

$$2012-13 \text{ Creditors Turnover Ratio} = 15 / (3.75) = 4$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Credit Purchases	15	27.16	18.12
Average Creditors	3.75	3.88	4.53
Creditors Turnover Ratio	4	7	4

Table 5.16 Calculation of Creditors Turnover Ratio

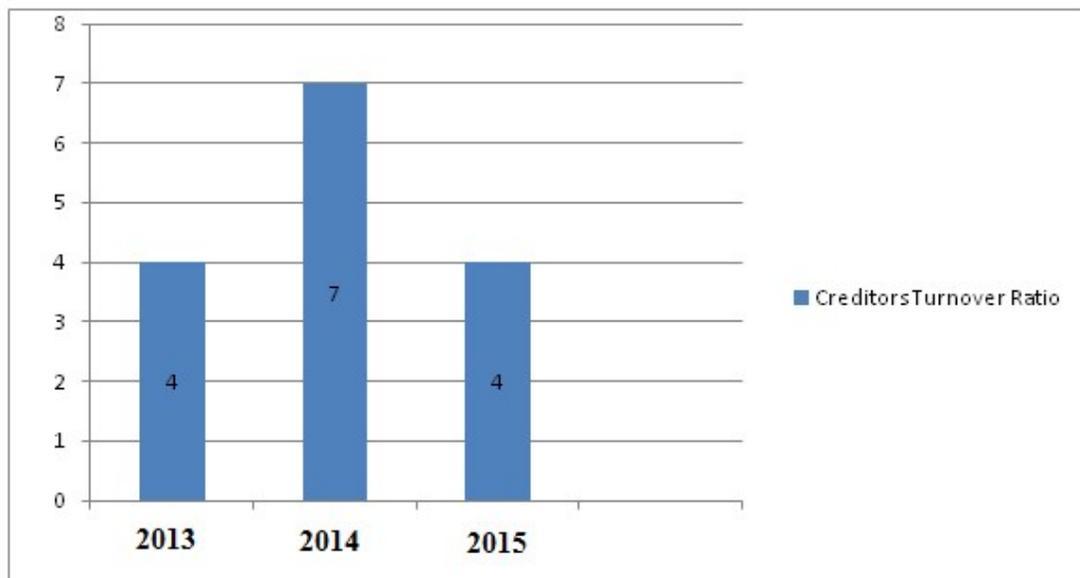


Figure 5.16 Bar diagram of Creditors Turnover Ratio

Interpretation,

- As we can see in the chart above, the firm had a lowest creditors turnover ratio, i.e. 4, in year 2013 & 2015 respectively which indicates that the firm enjoyed lengthy credit period having less strain on its working capital in that particular year.

- In the year of 2014, we can see the ratio is 7 which indicate that the firm has a less lengthy credit period, having more strain on its working capital position.
- It must be noted here from the standpoint of liquidity that a lower creditor's turnover ratio (i.e. lengthy credit period) is desirable for the firm.
- Moreover, if the payment is always made lengthier, the firm's goodwill will be affected and it will be difficult for the firm to get fresh credit, therefore the firm should maintain a balance.

5.4.4 Average Payment Period: -

Formula,

$$\text{Average Payment period} = \frac{\text{Creditors}}{\text{Credit Purchases}} \times 365 \text{ Days} \quad (5.20)$$

$$2012-13 \text{ Average Payment period} = (3.75) / 15 \times 365 \text{ Days} = 91.25$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Creditors	3.75	3.88	4.53
Credit Purchase	15	27.16	18.12
Average Payment Period	91.25	52.14	91.25

Table 5.17 Calculation of Average Payment Period

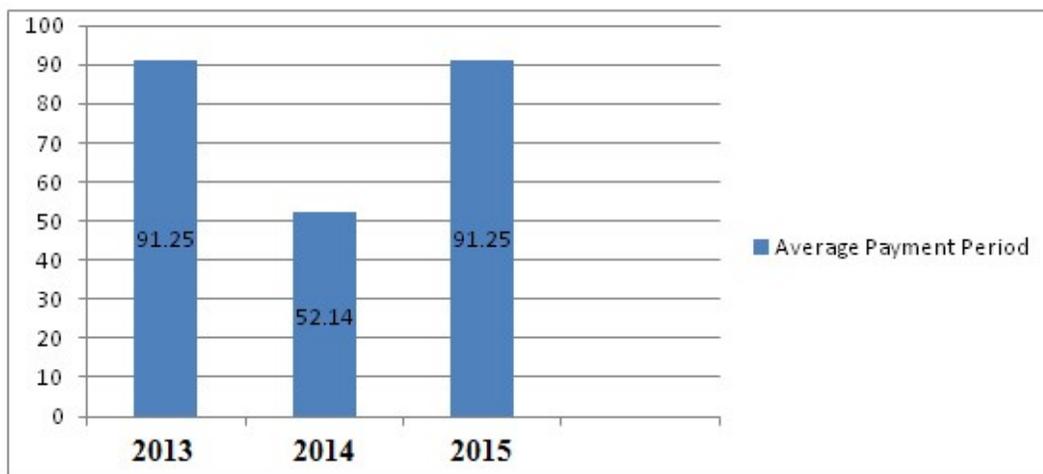


Figure 5.17 Bar diagram of Average Payment Period

Interpretation,

- This ratio determines the average payment period allowed by the customers in a year.

- Normally, in the IT industry, 60-90 days are considered to be normal.
- As we can see in the chart above, in the year of 2013 & 2015, the firm enjoyed a longer credit period, i.e. 91.25 days, which is good in standpoint of liquidity and solvency.
- Whereas in 2014, the firm got credit period, of 52.54 days, this indicates that in this year the firm has made payment 8 days before the normal credit days and therefore the firm's liquidity position was not so good. But immediately in the next year it was covered up.
- This indicates that the company is properly maintaining the trade-off between liquidity and profitability and hence, we can say that the company's financial position is sound enough.

5.4.5 Net Working Capital Turnover Ratio

Formula,

$$\text{Working Capital Turnover Ratio} = \frac{\text{Sales}}{\text{Total Current Assets}} \quad (5.21)$$

$$2012-13 \text{ Working Capital Turnover Ratio} = (57.30) / (33.89) = 1.7$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Sales	57.30	54.65	48.73
Total Current Assets	33.89	28.50	25.33
Net Working Capital Turnover ratio	1.7	1.92	1.92

Table 5.18 Calculation of Net Working Capital Turnover Ratio

The above calculation is explained below with the help of a bar diagram as follows: -

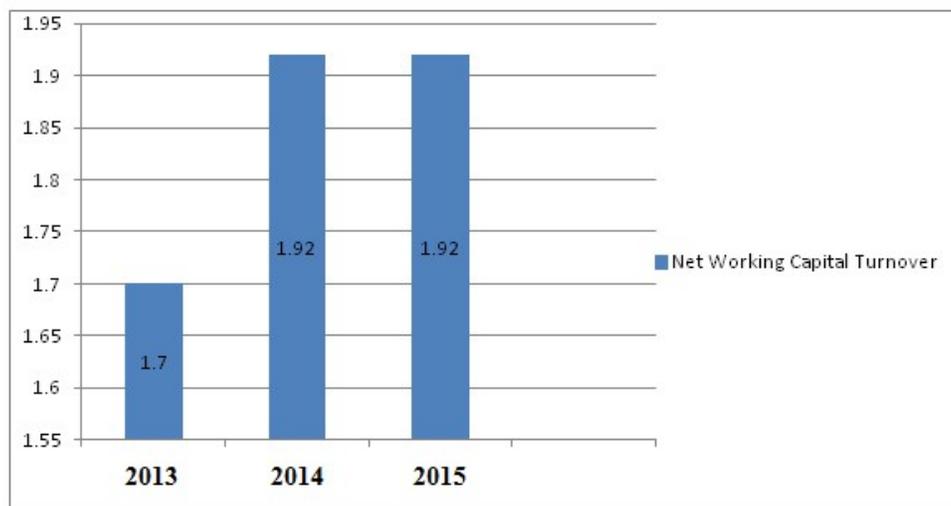


Figure 5.18 Bar diagram of Net Working Capital Turnover Ratio

Interpretation,

- As we can see in the chart above, in the year of 2013 the company had lower net working capital turnover ratio, i.e. 1.7 which indicates that the amount of working capital is not effectively and efficiently utilized, resulting into lower profitability of the business.
- Whereas in the year of 2014 & 2015, the net working capital turnover ratio was higher (i.e. 1.92) as compared to the previous ones, which suggests that the amount of working capital was properly utilized in that particular year resulting into higher profitability.

5.5 GEARING RATIO

Formula,

$$\text{Gearing Ratio} = \frac{(\text{Long Term Borrowings} + \text{Short Term Loans}) - \text{Cash}}{\text{Shareholders Funds}} \times 100 \quad (5.22)$$

$$2012-13 \text{ Gearing Ratio} = (24.50) / (42.14) \times 100 = 58.13$$

(in lakhs)

Particulars	2012-13	2013-14	2014-15
Long term Borrowing	24.50	24.50	22.45
Shareholders fund	42.14	37.50	34.75
Gearing Ratio	58.13	65.33	64.6

Table 5.19 Calculation of Gearing Ratio

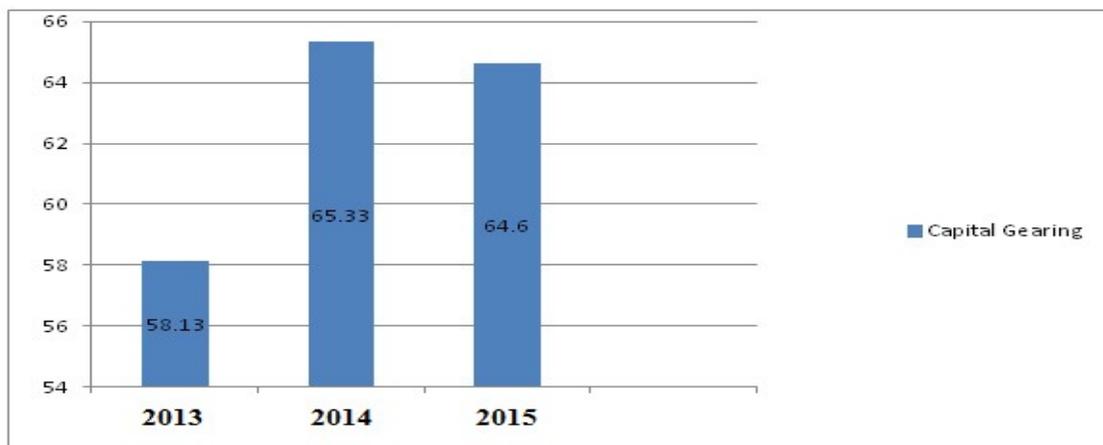


Figure 5.19: Bar diagram of Gearing Ratio

Interpretation,

- As we can see from the above data that the long term borrowings are always less than shareholder funds which means that the gearing ratio is on lower side i.e. 58.13 in 2012-13, 65.33 in 2013-14 and 64.3 in 2014-15. This indicates that the company is predominantly financed by equity. This is good from the profitability point of view as the interest decreases and the lower ratio indicates less reliance on borrowings.

CHAPTER - 6

RESULTS AND DISCUSSIONS

The results of the study are discussed below as follows: -

- The liquidity ratios indicate that overall liquidity position of the company is good enough i.e. the company has more than 2 rupees of current assets to pay-off 1 rupee of current liabilities.
- The Debt Equity Ratio is less as per the standard norms which states that debt capital is very less as compared to the equity capital, which ultimately means that the cost of capital is low in certain case, and the equity holders would be able to earn returns out of it.
- In all the years the investment in fixed asset out of the total long term debt is efficiently made, so overall it is shows that the long term funds are effectively utilized in fixed asset.
- In all the years, total fixed asset to proprietors equity ratio represents that excessive amount of proprietors equity is being invested into the fixed assets, which may positively give higher returns to the proprietors but only if the fixed assets are properly utilized otherwise the solvency position of the company may get affected.
- Total current assets to proprietors equity ratio indicates that very less amount of proprietor's equity is invested in the current assets which implies that the working capital must be inadequate thereby affecting the solvency position of the company.
- Return on proprietors fund shows ups and downs, it means the profitability position is not stable. This may be due to improper utilization of proprietors' fund. Another reason may be due to ups and downs in the net profit of the company.
- Return on capital employed ratio shows the growing trend in 2013 & 2014, but it is declined in the year 2015, which may be due to the reason that the total expenditure of the company were increased in comparison to sales in that year due to which the profit is declined.
- The company's debtors' turnover ratio is very low due to the collection period being high which is unfavorable from the liquidity point of view and for the long term solvency of the company.
- Gearing ratio indicates that the company is mainly financed by equity. This is favorable from the profitability point of view as the interest decreases and the lower ratio indicates less reliance on borrowings.

CHAPTER - 7

SUGGESTIONS/RECOMMENDATIONS

The suggestions/recommendations on the basis of the study are as follows: -

- The fixed assets should be utilized properly to increase the performance of the organization and to maintain the solvency position of the company.
- Company should raise their funds with proper proportion of debt and equity so that the company can avail the tax benefit and increase the profit of the organization. In short, company should emphasize on 'Trading on equity'.
- The Debtor's Turnover Ratio should be increased and for that the organization needs to decrease the collection period to two months so that the liquidity of the company does not get affected.
- Proper utilization of Proprietor's fund is needed to stabilize the profitability position of the company.
- The company must try to reduce its total expenditure as in 2015, the total expenditure were more in comparison to its net sales, which affected the net profit of that year.

CHAPTER - 8

LIMITATIONS AND SCOPE OF FUTURE RESEARCH

8.1 Limitations: -

The following are the limitations of the study: -

- Ratio depends on the figures of financial statements. Consequently, the true picture can be drawn only when the figures are correct.
- Analysis and interpretation of ratios help us to identify the problem relating to the variables but cannot aid in solving such problems.
- Ratios are calculated on the basis of past data. Due to continuous change in the business environment, ratio analysis fails to help effectively in forecasting and preparing budgets.
- Secrecy need to be maintained for confidential matters.
- The area of project is very wide and vast and it needs a long time to understand the whole process fairly. Therefore time constraint is a limitation.

8.2 Scope of the future study: -

The scope for the future study is laid down as follows: -

- The study will help to analyze the probable causal relation among different financial items after analyzing and exploring the past results.
- It will help in analyzing whether the firm is enhancing or crumbling over various years.
- It will reveal the degree of efficiency in the utilization of assets.
- The study help facilitate inter-firm comparison that is, comparison among two or more firms.
- The firm's liquidity position, solvency position, profitability, performance and gearing can be identified with the help of this study.
- It will reveal the efficiency and effectiveness of the company's management.

CHAPTER - 9

CONCLUSION

The conclusions of the project work study are laid down as follows: -

- Ratios make the relevant information comparable. A single figure alone has no meaning, but when expressed in terms of a related figure, it yields significant interferences. Thus, ratios are relative figures reflecting the relationship between related variables. Their use as tools of financial analysis involves their comparison as single ratios, like absolute figures, are not of much use.
- Financial ratios involve recognition of considerable accounting data relationships which provides the decision-maker insights into the financial performance of a company.
- Ratio analysis helps in the perfect analysis of financial statements by evaluating the relationship between constituent parts of financial statements to acquire a better indulgent of the firm's overall financial position and performance.
- Though the company is in introductory stage, the financial performance of the company is good. The financial condition has been improved from year 2013 to 2015.
- I can conclude that company needs to utilize their capital properly to earn maximum returns out of the capital investment.
- Drytech net profit is more than 15% every year which is very good for the company but still the company need to manage its proprietary fund properly and needs to focus on minimizing the total expenditure in comparison to its sales to ensure stability in profitability position of the company.
- Liquidity position of a company can be ensured by the current ratio, it can be said that if the ratio is 2:1 then the company's liquidity position is sound. As per the study, company's overall liquidity position is good.
- The debtors' turnover ratio of the company is very low due to the collection period being high which is unfavorable from the liquidity point of view and for the long term solvency of the company.
- The longer average collection period requires that the company must decrease the collection period and it should be decreased to two months so that the liquidity of the company does not get affected.

- The Debt-equity ratio and gearing ratio of the company implies that the company is predominantly financed by equity.

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ANNEXURE

Balance Sheet: 'DRYTECH PROCESSES (I) PVT. LTD'			(in lakhs)
Particulars	Mar'15	Mar'14	Mar'13
Liabilities	12 Months	12 Months	12 Months
Share Capital	36.50	33.00	30.00
Reserve & Surplus	5.64	4.50	4.75
Net Worth	42.14	37.50	34.75
Secured Loans	24.50	24.50	22.45
Unsecured Loans	00	00	00
Total Liabilities	66.64	62.00	57.20
Assets			
Gross Block	51.53	47.86	43.63
(-) Acc. Depreciation	3.4	2.1	1.7
Net Block	48.13	45.76	41.9
Capital Work in Progress.	0.00	0.00	0.00
Investments.	0.00	0.00	0.00
Inventories	4.31	3.25	2.87
Sundry Debtors	19.24	17.63	14.85
Cash And Bank	4.87	3.78	3.25
Loans And Advances	5.47	3.84	4.36
Total Current Assets	33.89	28.50	25.33
Current Liabilities	15.56	10.92	9.26
Provisions	1.47	1.34	0.80
Total Current Liabilities	17.03	12.26	10.06
Net Current Assets	16.86	16.24	15.27
Misc. Expenses not written off	1.65	0.00	0.00
Total Assets (A+B+C+D+E)	66.64	62.00	57.20

Profit & Loss - 'DRYTECH PROCESSES (I) PVT. LTD'

(in lakhs)

Particulars	Mar'15	Mar'14	Mar'13
	12 Months	12 Months	12 Months
Income			
Sales Turnover	57.30	54.65	48.73
Excise Duty	0.00	0.00	0.00
Net Sales	57.30	54.65	48.73
Other Income	4.36	3.86	2.48
Total Income	61.66	58.5	51.21
Expenditure			
Manufacturing Expenses	6.69	4.62	3.32
Material Consumed	1.23	1.34	1.59
Personal Expenses	1.43	1.24	0.74
Selling Expenses	2.32	1.76	1.21
Administrative Expenses	36.56	34.73	31.79
Expenses Capitalized	0.00	0.00	0.00
Provisions Made	1.41	1.00	1.00
Total Expenditure	49.64	44.69	39.65
Operating Profit	15.62	9.85	8.48
EBITDA	12.02	13.81	11.56
Depreciation	0.95	0.86	0.82
Other Write-offs	0.00	0.00	0.00
EBIT	11.07	12.95	10.74
Interest	1.21	1.02	0.84
EBT	9.86	11.93	9.9
Taxes	2.56	3.1	2.57
Profit and Loss for the Year	7.3	8.83	7.33
Key Items			
Preference Dividend	0.00	0.00	0.00
Equity Dividend	5.34	4.35	5.43
Equity Dividend (%)			
Shares in Issue (Lakhs)	56.50	53.00	50.00
EPS - Annualized (Rs)	147.60	148.70	142.40

