

## A Study on Ratio Analysis With Respect To Sagar Engineer and Fabrication Work, Butibori, Nagpur

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**Abstract :** This project report entitled to "A STUDY ON RATIO ANALYSIS WITH RESPECT TO SAGAR ENGINEER AND FABRICATION WORK, BUTIBORI". The aim of this project is to analysis the profitability, liquidity, leverage, turnover position of the company using the financial tools. The study is made to evaluate the financial position, the operational results as well as financial progress of a business concern. The various tools used for the study of ratio analysis. Graphs and tables are used for better understanding

**Keywords :** Financial analysis, company, profit, activity, profitability, liquidity, solvency.

### I. Introduction

Ratio Analysis evaluate the financial position and performance of the firm. As started in the beginning many diverse groups of people are interested in analyzing financial information to indicate the operating and financial efficiency and growth of firm. These people use ratios to determine those financial characteristics of firm in which they interested with the help of ratios they can determine the ability of the firm to meet its current obligations, the extent to which the firm has used its long term solvency by borrowing funds, the efficiency with which the firm is utilizing in generating the sales revenue, the overall operating efficiency and performance of firm. The information contained in these statement is used by management, creditors, investors and others to form judgement about the operating performance, financial position and financial strength and weakness of the firm.

#### 1.Importance and Significance of the Study.

1.1 The purpose and importance of ratio analysis are to evaluate or analyses the financial performance of the firm in terms of Rusk, Profitability, Solvency and Efficiency.

1.2 It helps to compare the trends of two or more company over a period of time.

1.3 To express the relationship between different financial aspects in such a way that it allows the user to draw conclusions about the performance, strength and weaknesses of the company.

1.4 Ratio analysis clears all the impediments and inefficiencies related to the performance of the firm/individual.

1.5 Ratio analysis is a cornerstone of fundamental analysis. The various ratios are standardized, elegant and convenient to use.

#### 3. Objective

3.1 To study the profitability of company on the basic of ratio analysis.

3.2 To study the liquidity, solvency profitability position of the company with the help of all ratio.

3.3 To study various relevant ratio required understand the profitability and liquidity position of the company.

3.4 To provide necessary recommendation & suggestion based on the finding.

### II. Indentations And Equations

#### 1.Research Methodology

Research in common parlance refers to a search for knowledge. Research can also be defined as a scientific and systems search for pertinent information on specific topic we can also say research as an art of scientific investigation.

##### 1.1 Data collection

This project is based on only secondary data. Secondary data for this project is taking from various annual reports.

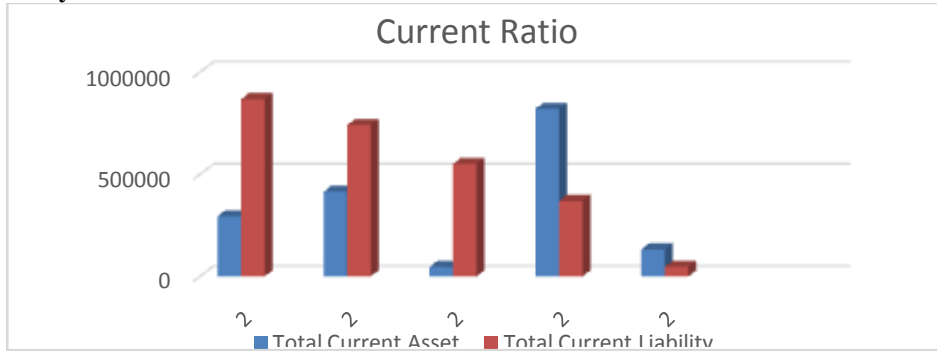
**III. Figures And Tables**

**1.Data Analysis and Interpretation**

**1.1 Current Ratio:** The current ratio measures the short-term liquidity of the company, which means whether the company is able to pay-off its current obligations or not.

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liability}}$$

**Current Liability**



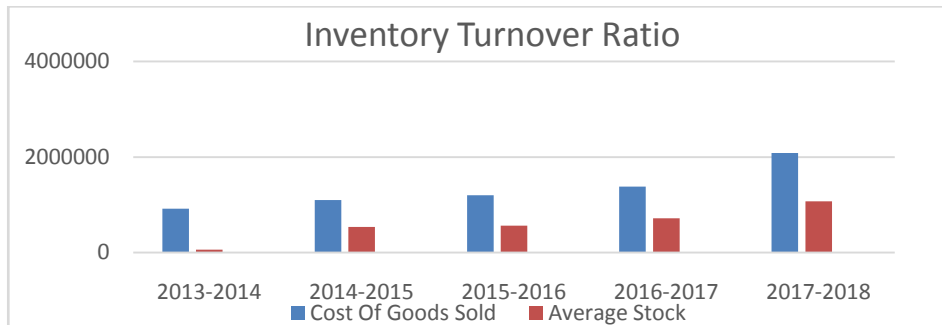
**Interpretation:**The ratio is mainly used to given an idea of the company’s ability to pay back its short term liability with its short term asset. The higher the current ratio the more capable the company is of paying its obligation.

**1.2 Inventory Turnover Ratio:** Inventory turnover ratio also known as stock velocity ratio. Inventory turnover ratio indicates the number of times the stock has been turned over during the period and evaluates the efficiency with which a firm is able to manage its inventory.

**Cost Of Goods Sold**

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost Of Goods Sold}}{\text{Average stock}}$$

**Average stock**



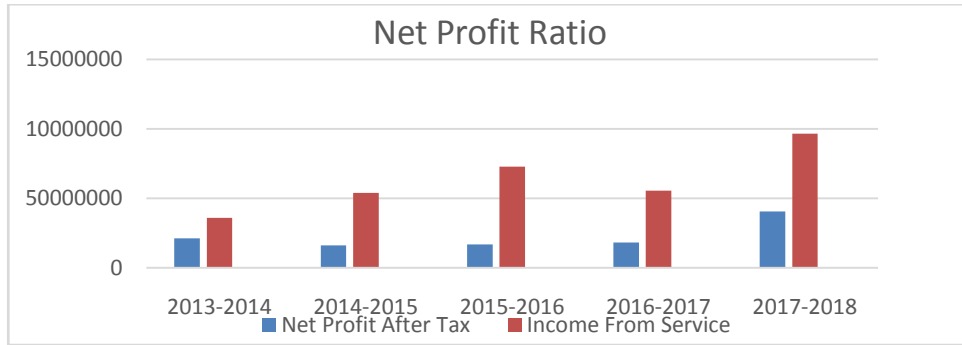
**Interpretation:** It shows the better financial position of the company and better usage of the current assets.

**1.3 Net Profit Ratio:**Net profit also referred to as the bottom line, net income or net earnings is a measure of the profitability of a venture after accounting for all costs.

**Net Profit Tax**

$$\text{Net Profit Ratio} = \frac{\text{Net Profit Tax}}{\text{Income From Service}} * 100$$

**Income From Service**

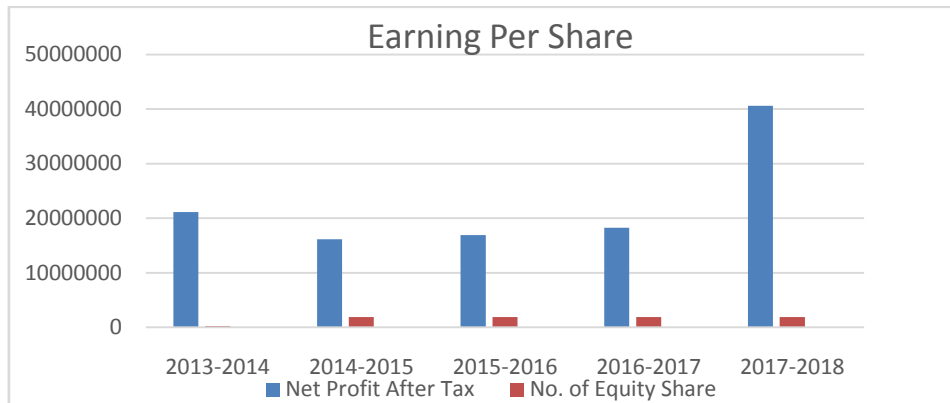


**Interpretation:** The net profit ratio is the overall measure of the firm’s ability to turn each rupee of income from services in net profit. The net profit is increased because the income from services is increased

**1.4 Earnings Per Share:** Earnings per share (EPS) are the monetary value of earnings per outstanding share of common stock for a company.

**Net Profit After Tax**

$$\text{Earnings Per Share} = \frac{\text{Net Profit After Tax}}{\text{No. of Equity Share}}$$



**Interpretation:** Earnings per share ratio are used to find out the return that the shareholders earn from their shares. The share capital is constant from the financial year 2014-2015. Due to the huge increase in net profit the earnings per share is greatly increased in 2017-2018.

#### IV. Conclusion

1.1 From the study of ratio analysis it concluded that the company’s financial position is good because the company’s leverage, activity and profitability position are good.

1.2 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.

1.3 The financial performance of the company for the five years (2013-2014 to 2017-2018) is analyzed and it is proved that the company is financially sound.

#### References.

##### 1. Books:

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**Balance sheet**

<b>Equity and Liability</b>	<b>March 2014</b>	<b>March 2015</b>	<b>March 2016</b>	<b>March 2017</b>	<b>March 2018</b>
<b>Shareholder's Fund</b>					
Share Capital	5498	5498	5498	5498	5498
Reserves and Surplus	24479	25499	25764	26810	28338
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	<b>29978</b>	<b>30997</b>	<b>31263</b>	<b>32309</b>	<b>33837</b>
<b>Non-Current Liabilities</b>					
Long Term Liabilities	3882	3497	3767	3331	3226
Long Term Provisions	1968	2133	2634	3136	3801
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	<b>-5851</b>	<b>5631</b>	<b>-6402</b>	<b>6468</b>	<b>7027</b>
<b>Current Liabilities</b>					
Short Term Borrowings	8751	10431	12961	12841	15042
Trade Payables	64732	64600	66447	66741	93702
Other Current Liabilities	266440	38314	566594	43272	61035
Short term provisions	1033	1129	711	1994	2511
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	<b>100922</b>	<b>114476</b>	<b>136714</b>	<b>124850</b>	<b>172291</b>
<b>Total</b>	<b>136752</b>	<b>151105</b>	<b>174380</b>	<b>163627</b>	<b>213156</b>
<b>Asset</b>					
<b>Non-Current Asset</b>					
Fixed Asset					
Tangible Asset	5967	4893	4187	4020	4852
Deferred tax asset	1381	1581	1692	1735	1952
Long term loans and advances	1.47	88	31	92	106
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	<b>7351</b>	<b>6563</b>	<b>5911</b>	<b>5848</b>	<b>6911</b>
<b>Current Asset</b>					
Inventories	7276	8827	6892	5270	5317
Contract-in-Progress	66201	67385	69501	72886	72990
Trade Receivables	393	114	1890	1701	1801
Cash and Cash equivalent	5512	5550	14203	8638	9012
Short term loans and advances	45768	56476	67249	60298	62851
Other current asset	4250	6168	8730	8983	90702
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	<b>129401</b>	<b>144541</b>	<b>168468</b>	<b>157779</b>	<b>206244</b>
<b>Total</b>	<b>136752</b>	<b>151105</b>	<b>174380</b>	<b>163627</b>	<b>213156</b>