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A STUDY ON RATIO ANALYSIS AT SUJANA UNIVERSAL INDUSTRIES LIMITED, VISAKHAPATNAM-AP

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ABSTRACT

A financial plan is a strategy communicated in quantitative term. The term has been gotten from the French word “roll” which implies a little pack. The spending plan gives a measuring stick from which the presentation can be assessed. It is smarter to contrast the genuine outcomes and the spending plan as opposed to the paste since the previous outcomes may not be responsible for current and anticipated conditions. It bargains in earthenware tails to supply the over all in the Andhra Pradesh. The significance of the investigation is Ratio Analysis helps uncertainty making measure in making trail esteem. Ratio analysis is the drawn-out monetary arranging measure for taking long haul speculations. The assessment of strategies of Ratio analysis is utilized for breaking down the venture in Sujan universal industries limited, Visakhapatnam.

Keywords: Ratio analysis, Organization, Effectiveness.

1. INTRODUCTION

Meaning of Financial Management:

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

PROFILE OF INDIAN STEEL INDUSTRY:

The steel sector in India is almost a century old, and exhibits significant economic importance due to rising demand by sectors such as infrastructure, real estate, and automobiles, in domestic as well as international markets. The level of per capital consumption of steel is an important determinant of the socio-economic development of the country.

The Indian steel industry is divided into primary and secondary sectors. The primary sector comprises a few large integrated steel providers producing billets, slabs and hot rolled coils. The secondary sector involves small units focused on the production of value-added products such as cold rolled coils, galvanized coils, angles, columns, beams and other re-rollers, and sponge iron units. Both sectors cater to different market segments.

The Indian steel industry has entered a new development stage since 2012–13 and is riding on the resurgent economy and the growing demand for steel. India’s 33 per cent growth in steel production in the last five years was second only to China among the top five steel producing nations, according to data by World Steel Association (WSA).

India is the fourth largest producer of crude steel and the largest producer of soft iron in the world. Presently, the Indian steel industry employs around 500,000 people while the per capita consumption in 2013 stood at around 57.8 kilograms. However, these figures are expected to rise with increased industrialization throughout the country.

PROFILE OF SUJANA UNIVERSAL INDUSTRIES LIMITED:

Sujana Universal Industries Ltd. manufactures household appliances, bearings and castings, offers construction services, and trades in steel, cotton and synthetic yarn, stone products, marine products, light engineering goods, and bulk commodities. Incorporated in August, 1986 under the name Sujana Domestic Appliances Ltd. and obtained the Certificate of Commencement of Business in Jan'87. This company was formed with an object to Manufacture fans, washing machines and other domestic appliances. The Company was promoted by Y Jithin Kumar and V. Satya Narayana Choudhary. The name of the Company was changed to Sujana Industries, Ltd. In Oct.'90. The Company started manufacture of ceiling fans in early 1987 and introduced them in the market in Jul.'87 under the name "PADMINI". The Company flagged of a new project involving the establishment of two divisions, vis.,

(i) Castings division with an annual capacity of 10,000 tons, and

(ii) Bearing division with an annual production capacity of 15,00,000 nos. as a measure of backward integration for the existing manufacture of fans.

This new project was already completed in 1989-90. The Company established Sponge Iron project in Andhra Pradesh after obtaining necessary approvals. In 1996-97, the company has decided to expand the Ceiling Fans capacity from 1,30,000 to 3,00,000 noes per annum. The bearing division of the company has been awarded ISO 9002 Certification during 1999-2000, for implementing quality systems as per International Standards by Underwriter Laboratories Inc. U.S.A. Sujana is headquartered in Hyderabad, India. Founded in 1986 as a single manufacturing unit for electrical fans and home appliances. Now the company has grown into a Billion Dollar business entity with multiple businesses that include Steel, Power and Telecom Infra, Domestic Appliances, Light Engineering (Bearings and Castings), and Urban Infrastructure.

2. LITERATURE AND REVIEW

Investors use ratios to make informed decisions about buying, holding, or selling stocks based on the company’s profitability and risk levels.

Lenders evaluate liquidity and solvency ratios to decide whether to extend credit.

Management uses ratios to monitor operational efficiency and implement corrective actions where necessary.

Current Ratio: Measures a company's ability to cover its short-term liabilities with its short-term assets.

Quick Ratio (Acid-Test Ratio): Similar to the current ratio but excludes inventories, as they are less liquid.

Need For the Study

- The importance of Cash management in any industrial concern cannot be overstressed.
- Under the present inflationary condition, management of Cash is perhaps more important than even management of profit and this requires greatest attention and efforts.
- It needs vigilant attention as each of its components require different types of treatment and it throws constant attention on exercise of skill and judgment, awareness of economic trend etc., due to urgency and complicacy the vital importance of Cash.
- The anti-inflationary measure taken up creating a tight money condition has placed working capital in the most challenging zone of management and it requires a unique skill for its management.
- Today, the problem of managing Cash has got the recognition of separate entity, so its study and management is of major importance to both internal and external analyst to judge the current position of the business concerns. Hence, the present study entitled “A study on Cash Management “has been taken up.

Scope Of the Study

- This study helps to take short term financial decision
- It indicates the cash requirement needed for plant or equipment expansion programmed.
- To find strategies for efficient management of cash.
- It helps to meet routine cash requirement to finance the transaction.
- It reveals the liquidity position of the firm by highlighting the various sources of cash and its uses.

Objectives Of the Study:

- To meet the Cash Disbursement needs
- To know the sources of Cash Inflow and uses of Cash Outflow in Sujana Universal Industries Limited.
- To determine how short term / current obligations of the Company are met by the Liquidity Ratio.
- To know the short-term Solvency Position and the trend
- To make suggestion and recommendation to improve the cash position of Sujana Universal Industries Limited.

3. METHODOLOGY OF THE STUDY

The research approach used for the study is descriptive. The form of the study is on the cash management in general and specific to the financial position.

Primary data:

The study has been made using secondary data, which are obtained from annual reports and statements of accounts.

Secondary data:

The study is period for the annual reports and statement of accounts extended from the year 2018-2019 to 2021-2023 of Sujana Universal Industries Limited.

4. RESULTS AND FINDINGS

Table 5.1

CURRENT RATIO

The current ratio is the ratio of total current assets to total current liabilities. It is calculated by dividing current assets by current liabilities:

Current ratio = Current assets

Current liabilities

YEAR	CURRENT ASSETS	CURRENT LIABILITES	RATIOS
2018-19	6584.62	2032.27	3.24
2019-20	6899.66	2961.12	2.33
2020-21	5871.06	2616.37	2.24
2021-22	5648.37	2684.73	2.10
2022-23	6009.83	4536.09	1.89

Source: secondary data

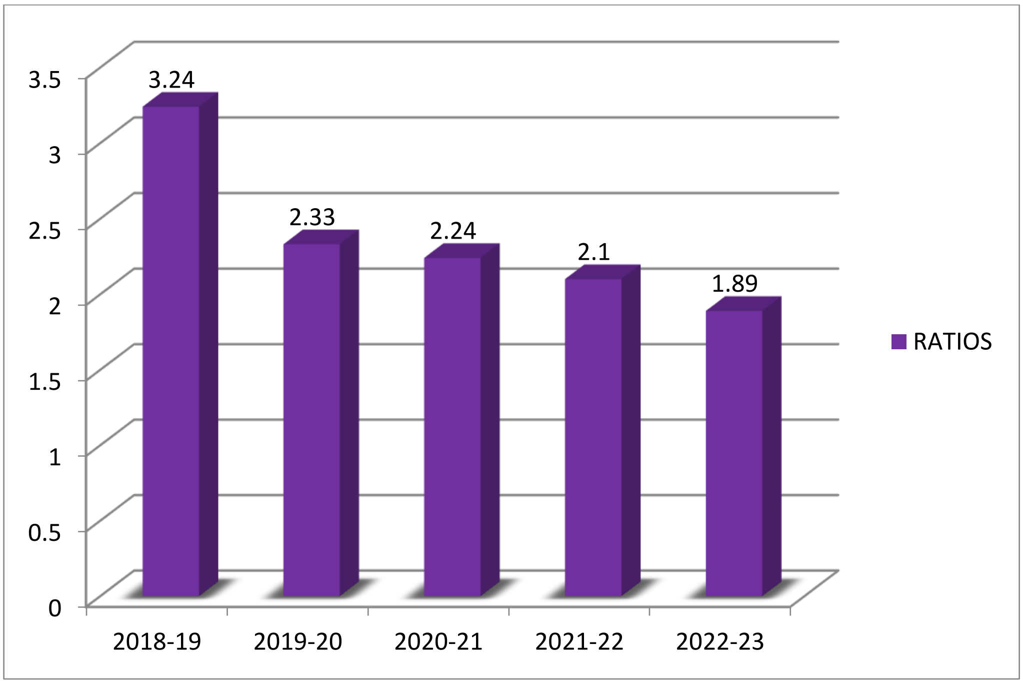

FIG.1 : Explains ratio shows the position of the firm. The standards norm for this ratio is 2:1. From the above table the current ratio for the year 2018- 2019 is normally 3.24 and 2022 -2023 it was1.89. It is not good position.

QUICK RATIO

The acid-test ratio is the ratio between quick current assets and current assets by the current liabilities:

Quick assets

Acid-test ratio=

Current liabilities

Table 5.2

YEAR	CURRENT ASSETS	CURRENT LIABILITES	STOCK	RATIOS
2018-19	6584.62	2032.27	3632.11	1.45
2019-20	6899.66	2961.12	2963.44	1.33
2020-21	5871.06	2616.37	2177.15	1.41
2021-22	5648.37	2684.73	2593.75	1.14
2022-23	6009.83	4536.09	3088.89	0.92

Source: secondary data

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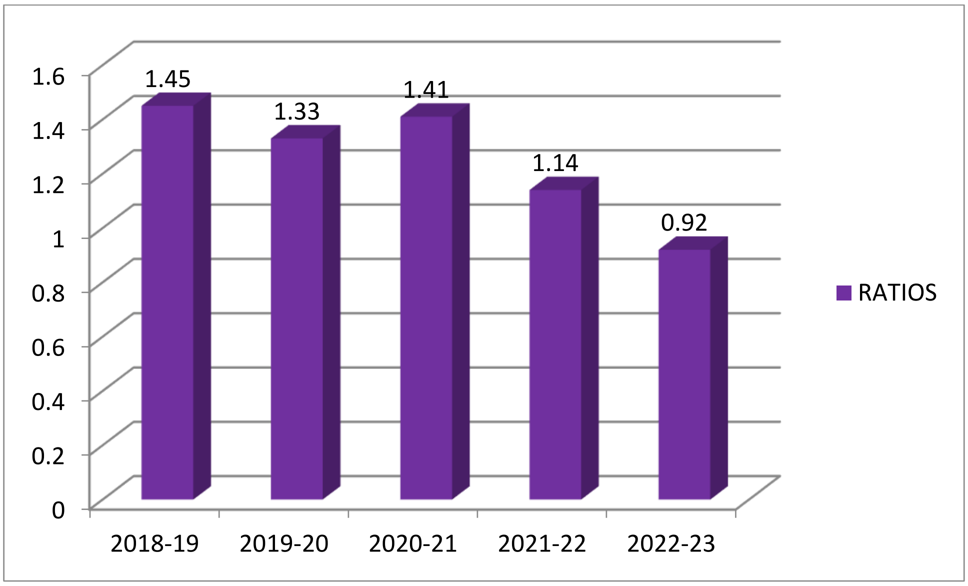

FIG. 5.2 Explains The standard norms for the quick ratio are 1:1. From the above table the quick ratio for the year 2018 – 2023 are satisfactory position and 2022 - 2023 it was 0.99:1. This level is not satisfactory level.

INVENTORY TURNOVER RATIO

It is computed by dividing the cost of goods sold by the average inventory.

Thus,

Cost of goods sold

Inventory turnover ratio=

Average inventory

Table 5.3

YEAR	COST OF SALES	AVERAGE STOCK	RATIO
2018-19	1015.99	3954.11	0.25
2019-20	9215.09	2570.29	3.59
2020-21	9119.10	2570.29	3.55
2021-22	9079.10	2841.32	3.20
2022-23	9388.64	2841.32	3.30

Source : secondary data

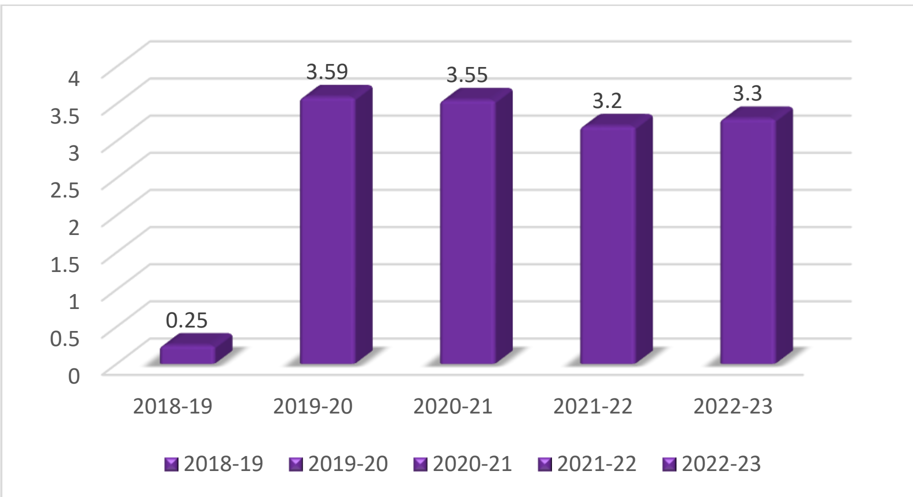

FIG 5.3 explains that Inventory turnover ratio represent operational efficiency of the contend. From the above table, it shows in the year 2018-19 the ratio is 0.25 times and it is showing very poor performance of sales. But in year 2019-20, the ratio is 3.59; it is a good inventory management. In the year 2022-23, the ratio is 3.30 but compare to the year 2018-19 it is reduced.

DEBTOR TURNOVER RATIO

Following formula is used to calculate debtor's turnover ratio:

Receivables turnover ratio = Annual net credit sales / debtor

Table 5.4

YEAR	NET SALES	DEBTOR	RATIO
2018-19	8394.08	819.84	10.24
2019-20	7194.52	726.86	9.90
2020-21	6677.57	711.81	9.38
2021-22	7011.25	582.93	12.03
2022-23	7593.31	1066.83	7.12

Source: secondary data

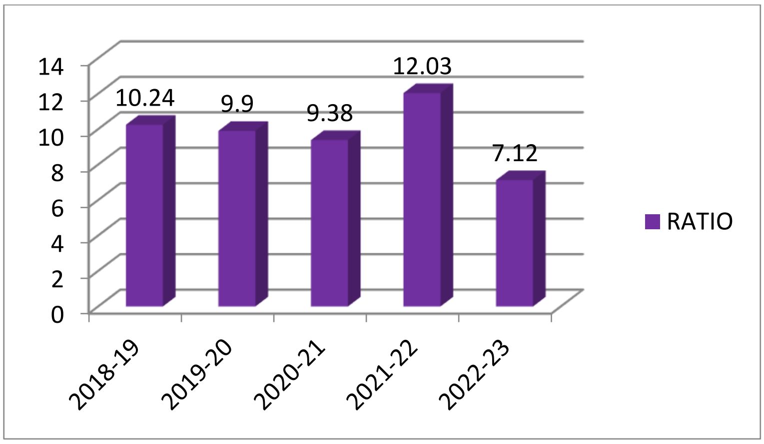

FIG. 5.4 explains that the ratio is decreased gradually from year to year (2019-2020). It shows, low turnover ratio and minimize bad debts and minimize the capital interest loss.

WORKING CAPITAL TURNOVER RATIO

Working Capital Turnover Ratio = Net sales / Working Capital

Table 5.5

YEAR	NET SALES	WORKING CAPITAL	RATIO
2018-19	8394.08	13948.80	2.13
2019-20	7194.52	349.06	2.06
2020-21	6677.57	2760.25	2.42
2021-22	7011.25	12154.59	3.25
2022-23	7593.31	1350.78	5.62

Source : secondary data

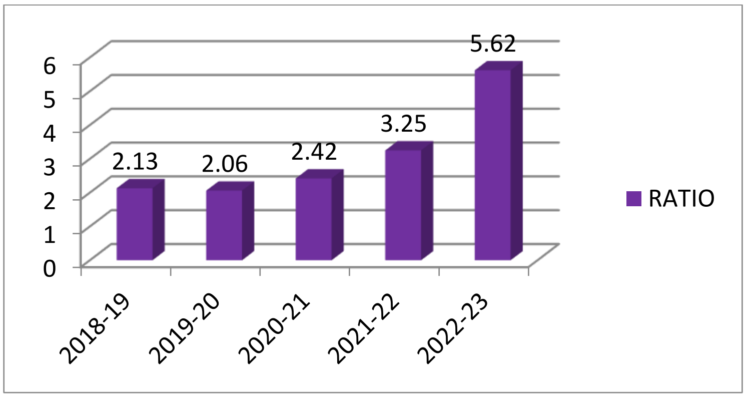

FIG 5.5 explains that the working capital turnover ratio in the year 2022-23 is 5.62. A very high turnover of working capital is 2.13 to 5.62. Under this concept it is not effective one.

5. FINDINGS

- The standards norms for the current ratio are2:1 But in Sujana Universal the current ratio is not efficient manner. So, the short-term solvency position of the company is not good position.
- The standard norms for the quick ratio are 1:1. The Sujana Universal limited quick ratio is below standard norms. So, the financial soundness of Sujana Universal is not effective one.
- The company does not utilize the inventory in proper manner. The company should concentrate on sales.
- The debt-equity ratio is decreasing position in each the past five years. It shows the unsoundness of the long-term financial position of the Sujana Universal.
- The cash to sales has been decreased gradually from each year. In the year 2017, it is low(0.32). It shows the inefficiency and performances of the firm.
- From the analysis of Trend Analysis tools, we found that,
- The current assets are decreased when compared to base year.

6. SUGGESTIONS

Begin by analysing historical financial data to observe trends in key ratios. This can help identify patterns in a company's performance, such as improving profitability or deteriorating liquidity.

Use time series analysis to study how financial ratios evolve over time. A comparison of ratios year-on-year helps in understanding how well the company is performing and whether it is improving or facing challenges.

Industry Comparisons: Compare the company's ratios with those of its competitors and industry averages. Benchmarking is a useful tool to understand how the company is performing relative to its peers. Cross-Industry Comparison: Sometimes, it's useful to compare ratios with those of companies from other industries to understand if financial performance varies by sector.

7. CONCLUSION

From the critical analysis depicted through out of the study. It is evident that the overall cash management of the company with regard to profitability is not satisfactory but still, the company can maximize through stringent measures which will enhances the operating of the company.

Since the company faces losses, management has to take several steps in order to improve the profitability. The clothes are one of the basic needs of human beings; I deduce that . Sujana group sickness is not terminal. The cure for such sickness is if the company adopts the prescription and if it applies recommendation of the study towards its management of the company will be back on to a profitable position within no time.

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