A

ProjectReport On

Working Capital WithRatio Analysis

At Yashodeep Industries,Ahmednagar

Submitted to

SavitribaiPhule Pune University

In the Partial Fulfillment of the

Requirement for

Bachelor of Business Administration

Submitted By

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Under the guidance of

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Acadmic Year 2015-2016

YASHODEEP INDUSTRIES

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CERTIFICATE

To Whom So Ever It May Concern

This is to certify that **Miss.Chauhan Rutuja Udaysing** is a student of New Arts, Commerce And Science College, Ahmednagar has successfully completed the project report on "***Working Capital With Ratio Analysis***" as partial fulfillment of BBA course affiliated to **SavitribaiphulePune University,** under the guidance of **Mr. PrakashShantilalKatariya** (Manager) at Yashodeep Industries, during the acadmic year 2015-2016.

DECLARATION

I here declare that this project titled RATIO ANALYSIS submitted by me is based on actual work carried out by me under the guidance and supervision of **Prof. GURJEET KAUR SABHARWAL**. Any reference to work done by any other person or institution or any material obtained from other sources have been duly cited & referenced. It is further to state that this work is not submitted anywhere else for any examination.

Date:-

Place:-Ahmednagar

Miss. Chauhan Rutuja Udaysing

BBA (FINANCE)

NAC&SC. College, Ahmednagar

ACKNOWLEDGEMENT

I RutujaUdaysingChauhan take this opportunity to express my gratitude to all people who have helped me to complete this project work. It is because of their guidance and continuous inputs I was able to complete this project on time.

I express my sincere thanks to Mr. PRASHANT SHANTILAL KATARIYA and all the concerned staff members of M/s YASHODEEP INDUSTRIES for arranging such valuable and resourceful information which has helped me in successful completion of project on –

" STUDY OF WORKING CAPITAL WITH RATIO ANALYSIS"

I would also take an opportunity to thank Prof. M. P. Waghmare and Prof. GurjeetKaurSabarwal whose valuable guidance and support has helped me in completing this project on time.

I would also like to thank Mr. Rahul Thorat , Dr. SatishJagtap and all faculty membersof Department of BBA for their consistent encouragement and support.

Lastly I would like to express sincere gratitude to my family members, my friends and my senior for their help.

CAPITALIZATION

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CHAPTER NO.1

EXECUTIVE SUMMARY

The ratio shows financial position of the company and advice improve position of the company in according to liquidity ratio the financial position is satisfactory. The utility of project to guide future direction of company with the help of ratio analysis the company can analyze its own financial position in the market and to plan for future challenges to business.

In this project different types of ratios are calculated to find out liquidity of company.From this project get an opportunity of real life business experience and also able to apply theoretical knowledge at college in practical manner in actual business.

To understand the real organizational problems,perceptions and challenges also get informed about the available career opportunities.

In this project calculation of ratios that is liquidity ratio,profitabilityratio,turnover ratio, leverage ratio of Yashodeep Industries and insert and draw the graphs of the ratio.

OBJECTIVE OF PROJECT

Main object of project is to match theoretical aspects with practical experience.

1. To study financial position of the company.
2. To find and evaluate cause of financial position.
3. To have comprehensive understanding of organization.
4. To study product profit as well as organizational structure.

SCOPE OF THE STUDY

1.Helps in proper financial management.

2.To keep a check on the financial performance and position of the firm, so as to take corrective actions and take decisions.

3.Helps to find weak and strong areas of firm and the reason for it.

HYPOTHESIS

‘’ Ratio analysis is form of financial statement analysis that is used to obtain a quick indication of firm financial performance in several key areas.”

RESEARCH METHODOLOGY

In preparing of the project the information is collected from the following source.

Primary Data-

*The primary data has been collected from personal interaction with

*Face to face communication with staff members and other leads of firm.

Secondary Data-

*The major source of data for this project is collected from balance sheet of Yashodeep

LIMITATIONS OF PROJECT

- Time limitation as trainer was very less hence a detailed study of project was not possible.
- Limited interaction with concerned heads due to their busy schedule.
- Company does not allow outsiders to have many study or research work in their firm.So that to get this work in company was very difficult.
- Due to confidentiality some important data which is important could not be collected.
- Project is based on theoretical guidelines and as per situation at time of training.So it may not apply to other situation.

CHAPTER NO.2

COMPANYPROFILE

YASHODEEP INDUSTRIES is placed at MIDC Ahmednagar.

They are in field of industry from 15 years and have achieved expertise during thrie journey. During inception they are into customized spare parts and have gained expertise in manufacturing spare and parts.

The factory has maintained experienced and skilled work force. For supervision, activity is done by expertised engineers in customized body building which look after quality of product and process.

YASHODEEP INDUSTRIES constantly strive for better technology which they will lead to deliver better quality and customer satisfaction. Factory works has ample space for mass production.

HISTORY

YASHODEEP INDUSTRIES are based in MIDC,Ahmednagar since last 15 years; the Propritor MR.PRASANT SHANTILAL KATARIYA founded this organization.

YASHODEEP INDUSTRIES is completely professionally managed family business in which each generation is beinging new vision and more expertise to the company.

Since last15 years YASHODEEP INDUSTRIES are working on spare and parts .It has a rich experience in serving the market needs. YASHODEEP INDUSTRIES is also proud to assist in development of spare and parts.

COMPANY MISSION AND VISION

At YASHODEEP INDUSTRIES,

*“**SAFETY FIRST THEN QUALITY AND DELIVERY**”*

Constantly work on delivering better quality and on time delivery.

MISSION

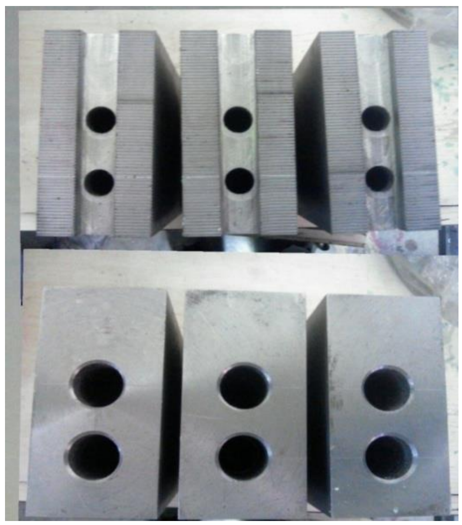
- MISSION is to become a dominant service provider in spare and parts and deliver product as per customer neends with right quality and delivery in time.

VISSION

- To contribute in humble way for providing best spare parts at providing best spare parts at quality and delivery at it best adhering to highest tradition of quality and ethics.

PRODUCT PORTFOLIO

- Jaws for power chucks
- T nuts for power chucks
- Sleevs for holding tools



CHAPTER NO.3

INTRODUCTION OFWORKING CAPITAL

Working capital, in general practice, refers to the excess of current assets over current liabilities. Management of working capital therefore, is concerned with the problems that arise in attempting to manage the current assets, the current liabilities and the inter-relationship that exists between them. In other words, it refers to all aspects of administration of both current assets and current liabilities. It also known as **revolving or circulating capital or short term capital.**

According to shubin," Working capital is the amount of funds necessary to cover the cost of operating the enterprise."

According to Genestenberg, "Circulating capital means current assets of a company that are changed in the ordinary course of business from one to another, as **For example**, from cash to inventories, inventories to receivables, receivables into cash."

FORMULA :

Working Capital = Current Assets – Current Liabilities

CONCEPT OF WORKING CAPITAL

There are two concepts of working capital:

1. Gross working capital

2. Net working capital

The gross working capital is the capital invested in the total current assets of the enterprises current assets are those

Assets which can convert in to cash within a short period normally one accounting year

CONSTITUENTS OF CURRENT ASSETS

1) Cash in hand and cash at bank

2) Bills receivables

3) Sundry debtors

4) Short term loans and advances.

5) Inventories of stock as:

   a. Raw material

   b. Work in process

   c. Stores and spares

   d. Finished goods

6. Temporary investment of surplus funds.

7. Prepaid expenses

8. Accrued incomes.

9. Marketable securities.

In a narrow sense, the term working capital refers to the net working. Net working capital is the excess of current assets over current liability, or, say:

NET WORKING CAPITAL = CURRENT ASSETS – CURRENT LIABILITIES.

Net working capital can be positive or negative. When the current assets exceeds the current liabilities are more than the current assets. Current liabilities are those liabilities, which are intended to be paid in the ordinary course of business within a short period of normally one accounting year out of the current assts or the income business.

CONSTITUENTS OF CURRENT LIABILITIES

1. Accrued or outstanding expenses.
2. Short term loans, advances and deposits.
3. Dividends payable.
4. Bank overdraft.
5. Provision for taxation , if it does not amt. to app. Of profit.
6. Bills payable.
7. Sundry creditors.

The gross working capital concept is financial or going concern concept whereas net working capital is an accounting concept of working capital. Both the concepts have their own merits.

FORMAT OF WORKING CAPITAL

STATEMENT SHOWING WORKING CAPITAL

PARTICULARS	AMOUNT
(A) Current Assets :	
1. Stock of raw material	xxx
2. Work-in- progress:	
a. Raw material	xxx
b. Direct labour	xxx
c. Overheads	xxx
3. Stock of finished goods	xxx
4. Debtors	xxx
5. Payment in advance	xxx
6. Balance of cash	xxx
Total Current Assets	xxxx
(B) Current Liabilities :	
1. Creditors	xxx
2. Direct labour	xxx
3. Overheads	xxx
Total Current Liabilities	xxxx
(C) Working Capital (A-B)	
Add : Provisions/ contengencies	xxx
Less : Profit	xxx
Net Working Capital	xxxx

STATEMENT SHOWING WORKING CAPITAL

Particulars	2013-2014	2014-2015	2015-2016
(A) CURRENT ASSETS :			
1. Cash	32896	23109	66620
2. Stock	13125	30676	44635
3. Debtors	119057	17189	151227
Total current assets	**165078**	**225574**	**262482**
(B) CURRENT LIABILITIES :			
1. Creditors	74852	60526	77336
2. Wages and Salary	19249	16686	27724
3. Vat payable	35283	34758	41716
Total current liabilities	**129384**	**111970**	**146776**
(C) Working Capital (A-B)	35694	113604	115706
Add : Contengencies	-	-	-
Less : Profit	-	-	-
Net Working Capital	**35694**	**113604**	**115706**

CHAPTER NO: 4

INTRODUCTION OF RATIO

Ratio analysis is one of the most widely used techniques in financial analysis.It aims at making use of quantitative information for decision making.A ratio is an expression of relationship between two figures or two amounts.it is statisti

cal yardstick that provide measure relationship between two variables.

According to LBATTY :- the term accounting ratios is used to describe significant relationship which exists between figures shown in BALANCESHEET , in PROFIT AND LOSS A/C , in any other part of accounting organization .In simple words it is an assessment of the significance of any figure in relation to others.

RATION ANALYSIS is an important method of financial statement depends on the study of relationship among various items of statement and relationship of one item to another can easily be expressed as a ratio.These are widely used as they are simply to calculate and easy to understand.Even a person having a little knowledge of accounting can make use of ratio. It may be emphasized here that ratio makes a relationship easy to grasp. But it does not tell reader whether relationship is good or bad.

The technique serves as a tool for assessing current and long term financial soundness of business concern. It is also used to analyze aspects of operational efficiency and degree of profitability.

MEANING AND DEFINATION OF RATIO

Ratios are quantitative relationship between two or more figures taken from financial statements.Then a ratio reveals a relationship of one item with another items expressed as a quotient by (dividing one number)mathematical terms.The ratio can be expressed as a quotient by dividing one number, base, into the others : such as 2:1 . It can also be expressed as percentage by multiplying the quotient by 100 % such as 200 % and so on. Another way is to express it as a rate or 'turnover' such as 2 times or 4 times.

A ratio is sort of mathematical metaphor, an analogy used to compare different amount of some measures.A ratio analysis is the most powerful tool of the financial analysis with the help of the ratios the overall operating efficiency and performance of the firm can be studied. Ratio analysis is widely used techniques to evaluate financial position and performance of Business.

Eg. 4% The colon between 481 is read as "to" so it should be read as

The ratio of height is four is to one."

DEFINATION OF RATIO

1) “A ratio is relationship in degree or quantity between two things.”
   Eg.The ratio of men and women on construction site was 10 to 1.This means there were 10 men and one women present.
   --Vocabulary .com

2)”The relationship between two similar magnitudes with respect t number of times the first contain the second , the ratio of 5 to 2 written 5:2.

--Dictionary.com

3)” a number representing a comparison between two things.”

4): A ratio show relative size of two or more value. Ration can be shown in different way using “To separate example value or as single no. by dividing one value by total.”

--Mathsisfun.com

5)”Ratio analysis is the Systematic use of Ratio to interpret the financial statement so that strength and weakness of firm, its historical performance and current financial condition can be determined.

--Khan and Jain

ADVANTAGES OF RATIO ANALYSIS

1. It makes it easy to grasp the relationship between various items and helps in understanding the financial statements.
2. Ratios indicate trends in important items and thus will help in forecasting.
3. Inter firm comparison can be made with the help of ratios, which may help in management in evolving future “Market Strategies”.
4. Ratio can effectively “Communicate” what has happened between two accounting dates.
5. Ratio may be used as measure of efficiency.
6. It helps in a simple assessment of profitability, solvency, liquidity and efficiency of the firm.

NECESSITY OF RATIO ANALYSIS

To Organization

- With the help of Ratio Analysis Company can analysis its own financial position in market.
- To plan for future challenges to business.
- To guide future direction of company.
- With the help of the ratio analysis overall operating efficiency and performance of firm can be studied.
- The ratio analysis will reveal financial condition of firm more reliably when trends in ratios over time and analyzed.

To Me

- To understand real organizational problems, challenges, and perceptions.
- To get information about career opportunity.
- To get opportunity of real life business and action taken experience.

CHARACTERISTICS OF RATIO

1. **Units of Measure :**
   A ratio compares two things in same units of measure. It does not matter what that unit of measure is,-Centimeters, pounds, it matters only that 2 are measured in same units.
2. **Modes of Expression :**
   A Ratio can express either in verbal notation in written analogy, or in symbolic mathematical notation. It can express as "the ratio of A to B," A:B or the quotient of A divided by B.
   Eg. 4 to1 as 4:1 or 0.25 (4 divided by 1)
3. **The Equality Of Ratios:**
   One can use Ratio as direct analogies to compare one thing to another. (For instance one can say "A is to B as C is to D" or "A:B=C:D") notating it either with "=" or verbally. In this A and D are "extremes" and B and C are called "means".
4. **Ratio as Fractions:**
   In practice it acts something like fraction. You can replace colon with division sign and still arrive at same result. Eg. ¼ and 3/12 both come out to 0.25. This is consistent with last mode of expression, which state that any ratio may be expressed as A divided by B.
5. **Continued Proportions:**
   Any series of 3 or more ratio can string togather to create continued proportion. Eg. "1:4=3:12=4:16 are both continued expressing them as decimal figure we find that 0.25=0.25=0.25.

LIMITATIONS OF RATIO ANALYSIS

1. It is difficult to generalize about whether a particular ratio is good or bad. For eg. High current ratio may show a strong liquidity position which is good or excessive cash which is bad because excess cash in bank is nonearning assets. Similarly high asset utilization ratio may denote either a firm that uses assets efficiency.
2. It is rather difficult to decide a proper basis of comparison.
3. The ratios are calculated from past financial statement and are no indicators about future.
4. The ratio calculated at point of time is less information and defective as they suffer from short term changes.
5. Limited use of single Ratio= Ratio can be useful only when they arew computed in sufficient target number.
6. Conclusion from analysis and statement are not sure indicators of bad or good management.
7. Lack of qualitative analysis of problem- It suffers from qualitative aspects.

Classification of Ratios

Classification

Liquidity Ratio

1) Current Ratio
2) Liquidity Ratio
3) Absolute Liquid Ratio

Turnover Ratio

1) Capital Turnover Ratio
2) Fixed Asset Turnover Ratio
3) Working Capital Turnover Ratio
4)Stock Turnover Ratio
5) Debtors Turnover Ratio
6) Creditors Turnover Ratio
7) Total Asset Turnover Ratio

Leverage Ratio

Financial

1) Debt Equity Ratio
2) Debt to Total Capitalization Ratio
3) Proprietary Ratio
4) Interest Cover Ratio
5) Cash Flow Ratio
6) Dividend Coverage
7)Capital GearingRatio

Profitability Ratio

(A) In Relationship to Sales

1) Gross Profit Ratio
2) Operating Ratio
3) Operating Profit
4) Net Profit Ratio
5) Expense Ratio

(B) In Relations to Investment

1) Return on Investment
2) Return On Capital
3) Return on Equity Capital
4) Return on Total Resource
5) Earning Per Share
6) Price Earning Ratio

Financial Ratios

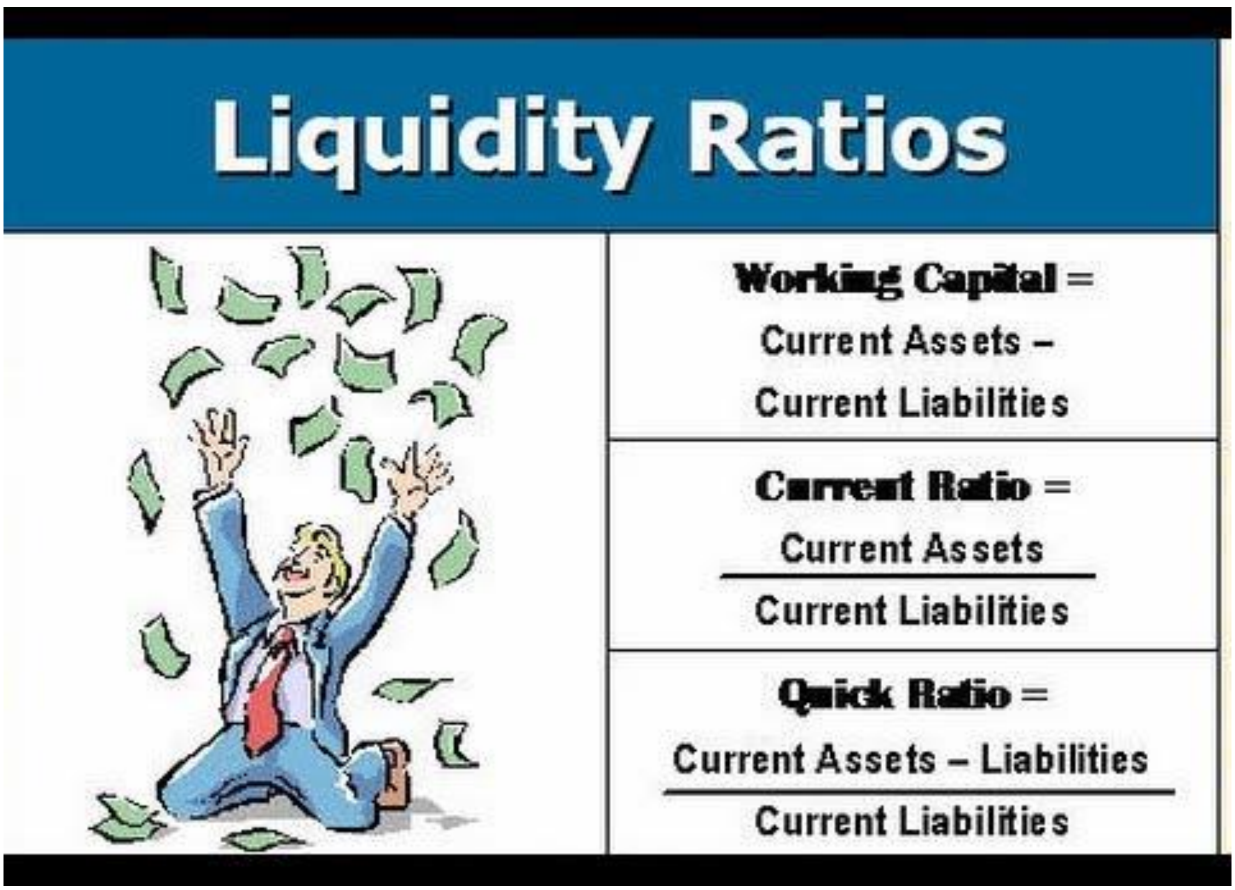
Financial ratios are useful indicators of a firm's performance and financial situation. Most ratios can be calculated from information provided by the financial statements. Financial ratios can be used to analyze trends and to compare the firm's financials to those of other firms. In some cases, ratio analysis can predict future bankruptcy.

Financial ratios can be classified according to the information they provide. The following types of ratios frequently are used:

- Liquidity ratios
- Asset turnover ratios
- Financial leverage ratios
- Profitability ratios
- Dividend policy ratios

1. Liquidity Ratios

Liquidity ratios provide information about a firm's ability to meet its short-term financial obligations. They are of particular interest to those extending short-term credit to the firm. Two frequently-used liquidity ratios are the *current ratio* (or *working capital ratio*) and the *quick ratio*.



a.Current Ratio:

The current ratio is the ratio of current assets to current liabilities:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Short-term creditors prefer a high current ratio since it reduces their risk. Shareholders may prefer a lower current ratio so that more of the firm's assets are working to grow the business. Typical values for the current ratio vary by firm and industry. For example, firms in cyclical industries may maintain a higher current ratio in order to remain solvent during downturns.

b. Quick Ratio :

The quick ratio is an alternative measure of liquidity that does not include inventory in the current assets. The quick ratio is defined as follows:

$$\text{Quick Ratio} = \frac{\text{Current Assets - Inventory}}{\text{Current Liabilities}}$$

The current assets used in the quick ratio are cash, accounts receivable, and notes receivable. These assets essentially are current assets less inventory. The quick ratio often is referred to as the *acid test*.

c. Cash Ratio:

Finally, the *cash ratio* is the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. The cash ratio is defined as follows:

$$\text{Cash Ratio} = \frac{\text{Cash} + \text{Marketable Securities}}{\text{Current Liabilities}}$$

The cash ratio is an indication of the firm's ability to pay off its current liabilities if for some reason immediate payment were demanded.

2. Asset Turnover Ratios

Asset turnover ratios indicate of how efficiently the firm utilizes its assets. They sometimes are referred to as efficiency ratios, asset utilization ratios, or asset management ratios. Two commonly used asset turnover ratios are *receivables turnover* and *inventory turnover*.

a. Receivable Turnover Ratio:

Receivables turnover is an indication of how quickly the firm collects its accounts receivables and is defined as follows:

$$\text{Receivables Turnover} = \frac{\text{Annual Credit Sales}}{\text{Accounts Receivable}}$$

The receivables turnover often is reported in terms of the number of days that credit sales remain in accounts receivable before they are collected. This number is known as the *collection period*. It is the accounts receivable balance divided by the average daily credit sales, calculated as follows:

$$\text{Average Collection Period} = \frac{\text{Accounts Receivable}}{\text{Annual Credit Sales / 365}}$$

The collection period also can be written as:

$$\text{Average Collection Period} = \frac{365}{\text{Receivables Turnover}}$$

Another major asset turnover ratio is *inventory turnover*. It is the cost of goods sold in a time period divided by the average inventory level during that period:

$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

The inventory turnover often is reported as the *inventory period*, which is the number of days worth of inventory on hand, calculated by dividing the inventory by the average daily cost of goods sold:

$$\text{Inventory Period} = \frac{\text{Average Inventory}}{\text{Annual Cost of Goods Sold / 365}}$$

The inventory period also can be written as:

$$\text{Inventory Period} = \frac{365}{\text{Inventory Turnover}}$$

Other asset turnover ratios include fixed asset turnover and total asset turnover.

c. Debtors Turnover Ratio:-

Firm sales goods for cash and credit.Credit is used as marketing tool by a number of companies. When the firm extends credit to its customers, debtors are created in firm’s accounts. Debtors are convertible into cash over a short period and, therefore, are included in current assets. The liquidity position of the firm depends on the quality of debtors to great extent. It is found out by dividing credit sales by average debtors.

The lower ratio indicates over investment.

$$\text{Debtors turnover ratio} = \frac{\text{Net credit sales}}{\text{Average debtors}}$$

d. Working Capital Turnover Ratio:-

This ratio establishes a relationship between net sales and working capital. The objective of capital turnover ratio is to indicate the velocity of the utilization of net working capital. This ratio indicates the number of times the working capital is turned over in the course of year. This ratio measures the efficiency with which the working capital is being used by a firm.

The high ratio indicates that working capital is managed efficiently and vice versa.

$$\text{Current asset turnover ratio} = \frac{\text{Net sales}}{\text{Current assets}}$$

3.Financial Leverage Ratios

Financial leverage ratios provide an indication of the long-term solvency of the firm. Unlike liquidity ratios that are concerned with short-term assets and liabilities, financial leverage ratios measure the extent to which the firm is using long term debt.

a.Debt Ratio :

The *debt ratio* is defined as total debt divided by total assets:

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

b. Debt-to-Equity Ratio :

The *debt-to-equity* ratio is total debt divided by total equity:

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Debt ratios depend on the classification of long-term leases and on the classification of some items as long-term debt or equity.

Interest Coverage Ratio :

The *times interest earned* ratio indicates how well the firm's earnings can cover the interest payments on its debt. This ratio also is known as the *interest coverage* and is calculated as follows:

$$\text{Interest Coverage} = \frac{\text{EBIT}}{\text{Interest Charges}}$$

where EBIT = Earnings Before Interest and Taxes

3. Proprietary Ratio:-

Proprietary ratio is the test of the financial and credit strength of the business. It relates shareholders fund to total assets i.e. total funds. This ratio determines the long term and ultimate solvency of the company. In the other words, proprietary ratio determines as to what extent the owners interests and expectations are fulfilled from the total investments made in the business operations. The ratio is calculated by dividing the proprietor's funds by total assets or total funds. The relationship is expressed as a pure ratio or as a percentage. It is a test of credit strength. It determines the extent of trading on equity.

The ideal ratio is 0.5:1

$$\text{Proprietary ratio} = \frac{\text{Proprietary fund}}{\text{Total assets}}$$

4.Profitability Ratios

Profitability ratios offer several different measures of the success of the firm at generating profits.

a.Gross profit Margin Ratio :

The *gross profit margin* is a measure of the gross profit earned on sales. The gross profit margin considers the firm's cost of goods sold, but does not include other costs. It is defined as follows:

$$\text{Gross Profit Margin} = \frac{\text{Sales} - \text{Cost of Goods Sold}}{\text{Sales}}$$

b.Return on Assets Ratio*:*

Return on assets is a measure of how effectively the firm's assets are being used to generate profits. It is defined as:

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

c.Return on Equity Ratio:

Return on equity is the bottom line measure for the shareholders, measuring the profits earned for each dollar invested in the firm's stock. Return on equity is defined as follows:

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholder Equity}}$$

5.Dividend Policy Ratios

Dividend policy ratios provide insight into the dividend policy of the firm and the prospects for future growth. Two commonly used ratios are the dividend yield and payout ratio.

a.Dividend Yield Ratio :

The dividend yield is defined as follows:

$$\text{Dividend Yield} = \frac{\text{Dividends Per Share}}{\text{Share Price}}$$

A high dividend yield does not necessarily translate into a high future rate of return. It is important to consider the prospects for continuing and increasing the dividend in the future.

b.Payout Ratio :

The dividend *payout ratio* is helpful in this regard, and is defined as follows:

$$\text{Payout Ratio} = \frac{\text{Dividends Per Share}}{\text{Earning Per Share}}$$

CHAPTER NO - 5

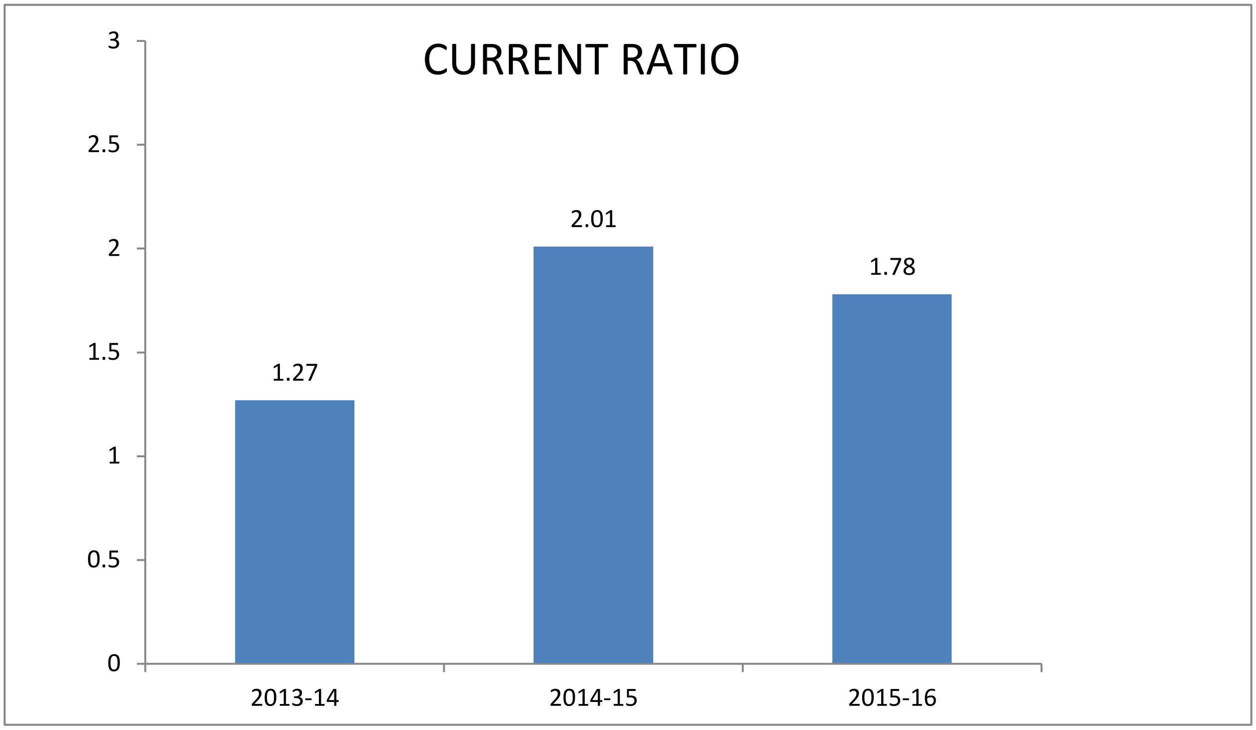
CALCULATON OF RATIO

1. Current Ratio:-

This ratio establishes relationship between current assets and current liabilities and its ideal ratio is 2:1.

$$\left(\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \right)$$

FINANCIAL YEAR	CURRENT ASSET - STOCK	CURRENT LIABILITIES	QUICK RATIO
2013-14	165078	129384	1.27:1
2014-15	225574	111970	2.01:1
2015-16	262482	146776	1.78:1



INTERPRETATION

Current ratio measures short term debt paying ability. It indicates the availability of current asset in rupee of current liability. The current ratio of the company in 2014-2015 is more than 2013-2014, that is the working capital position of the company is satisfactory in year 2014 and 2015, dissatisfactory in year 2013.

Current ratio is a measure of liquidity of a company at a certain date. It must be analyzed in the context of the industry the company primarily relates to. The underlying trend of the ratio must also be monitored over a period of time.

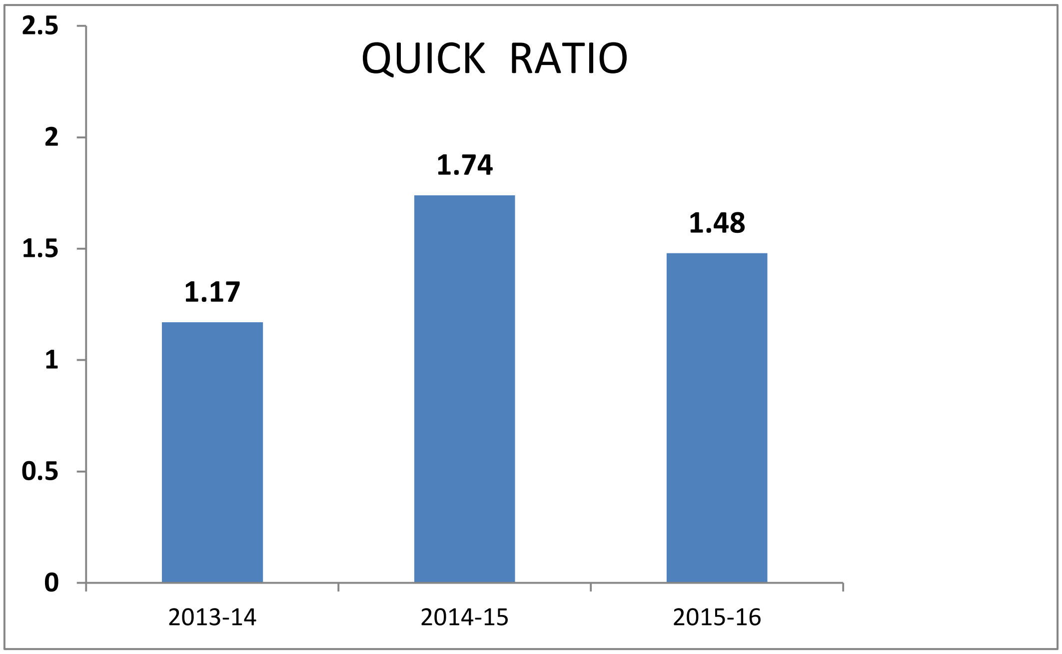
Generally, companies would aim to maintain a current ratio of at least 1 to ensure that the value of their current assets cover at least the amount of their short term obligations. However, a current ratio of greater than 1 provides additional cushion against unforeseeable contingencies that may arise in the short term.

2. Quick Ratio :-

This ratio establishes a relationship between quick assets and current liabilities . This ratio is usually expressed as a pure ratio is 1

$$\left(\text{Quick Ratio} = \frac{\text{Current Asset- Inventory}}{\text{Current Liabilities}} \right)$$

FINANCIAL YEAR	CURRENT ASSET - STOCK	CURRENT LIABILITIES	QUICK RATIO
2013-14	151952	129384	1.17:1
2014-15	194898	111970	1.74:1
2015-16	217847	146776	1.48:1



INTERPRETATION

A quick ratio is more penetrating test of liquidity. It is redefined measure of short term debt paying ability by measuring short term liquidity. Quick ratio test the ability of business to meet its current obligation even the sales revenue disappears.

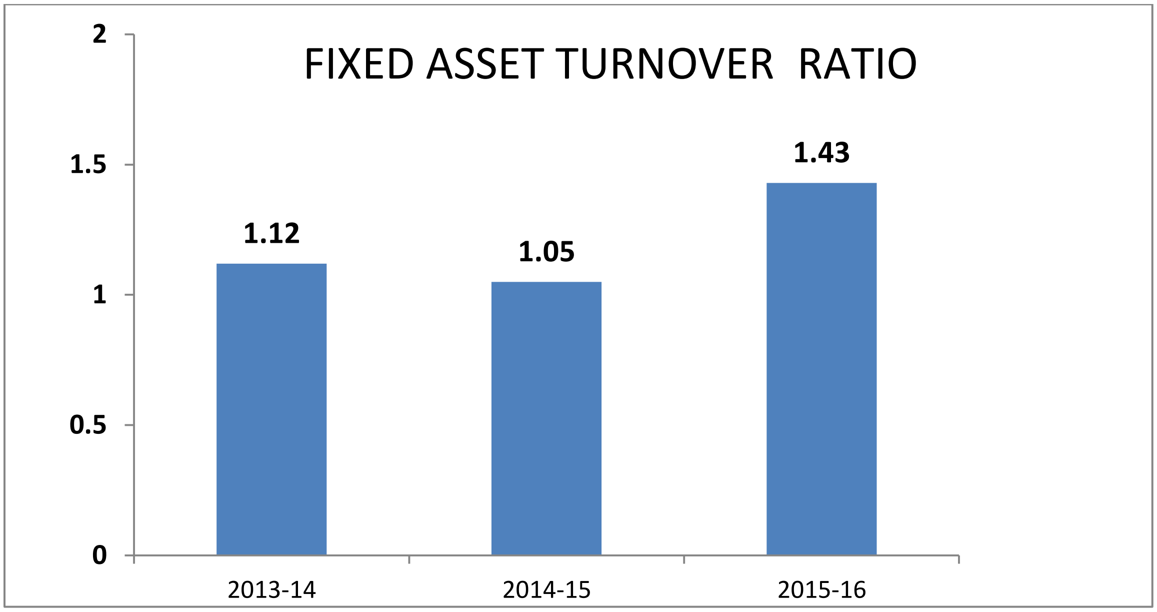
In year 2013 and 1014 liquid ratio is more than 2015 because the liquid current assets are more than liquid current liability, pay ability is more in year 2013 and 2014 than year 2011.

3. Fixed Asset Turnover Ratio :-

This ratio establishes a relationship between net sales and fixed assets .

$$\text{Fixed Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Total Net Fixed Asset}}$$

FINANCIAL YEAR	NET SALES	TOTAL NET FIXED ASSET	RATIO
2013-14	573800	511164	1.12:1
2014-15	492481	495794	1.05:1
2015-16	665184	463477	1.43:1



INTERPRETATION

This ratio measures how efficiently a firm uses its assets to generate sales, so a higher ratio is always more favorable. Higher turnover ratios mean the company is using its assets more efficiently. Lower ratios mean that the company isn't using its assets efficiently and most likely have management or production problems.

For instance, a ratio of 1 means that the net sales of a company equals the average total assets for the year. In other words, the company is generating 1 dollar of sales for every dollar invested in assets.

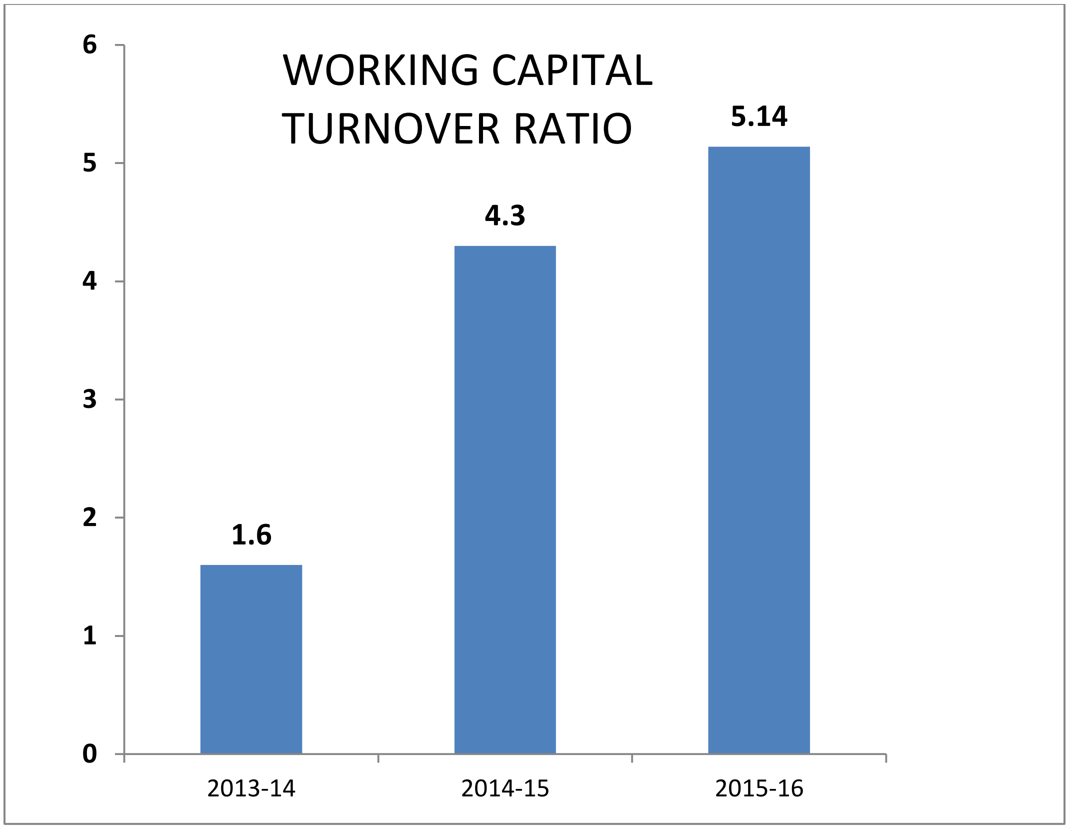
Like with most ratios, the asset turnover ratio is based on industry standards. Some industries use assets more efficiently than others. To get a true sense of how well a company's assets are being used, it must be compared to other companies in its industry.

4. **Working Capital Turn Over Ratio :-**

This ratio establishes a relationship between net sales and working capital. The objective of Working Capital Turnover Ratio is to indicate the velocity of net working capital.

$$\text{Working Capital Turnover Ratio} = \frac{\text{Net Sales}}{\text{Total Net Fixed Asset}}$$

FINANCIAL YEAR	NET SALES	TOTAL NET FIXED ASSET	RATIO
2013-14	**573800**	**35694**	**1.6:1**
2014-15	**492481**	**113604**	**4.3:1**
2015-16	**665184**	**115706**	**5.14:1**



INTERPRETATION

Since the working capital ratio measures current assets as a percentage of current liabilities, it would only make sense that a higher ratio is more favorable. A WCR of 1 indicates the current assets equal current liabilities. A ratio of 1 is usually considered the middle ground. It's not risky, but it is also not very safe. This means that the firm would have to sell all of its current assets in order to pay off its current liabilities.

A ratio less than 1 is considered risky by creditors and investors because it shows the company isn't running efficiently and can't cover its current debt properly. A ratio less than 1 is always a bad thing and is often referred to as negative working capital.

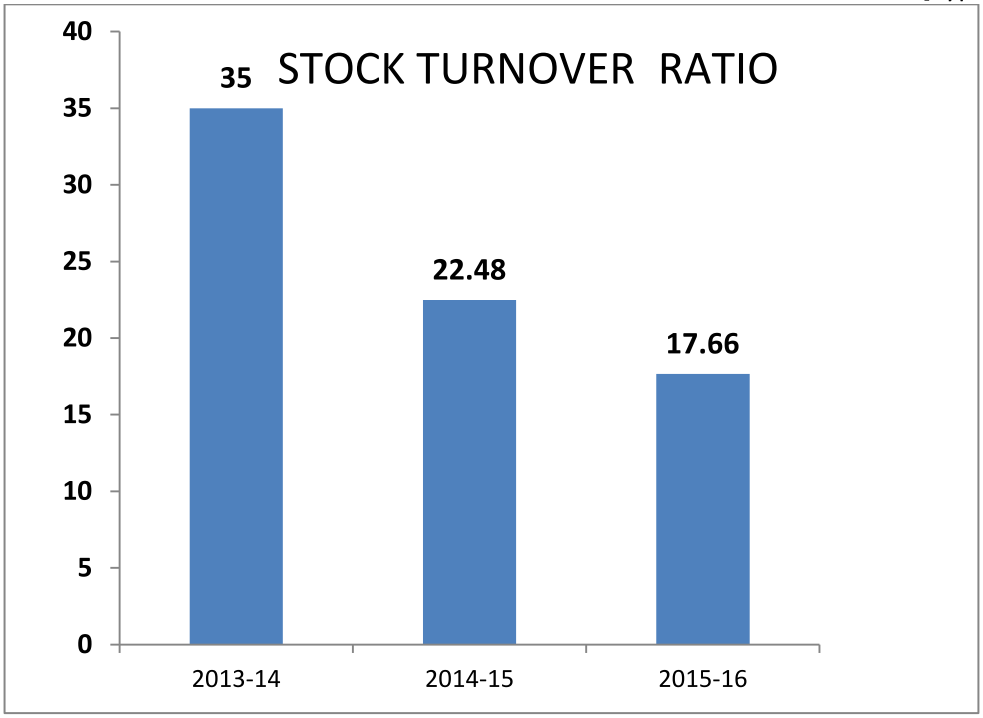
On the other hand, a ratio above 1 shows outsiders that the company can pay all of its current liabilities and still have current assets left over or positive working capital.

5. Stock Turnover Ratio :-

This ratio indicates the number of times stock is replace during the year. It measures the relationship between the cost of goods sold and the inventory level.

$$\text{Stock Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

FINANCIAL YEAR	COST OF GOODS SOLD	AVERAGE INVENTORY	RATIO
2013-14	573800	16387	35:1
2014-15	492481	21900	22.48:1
2015-16	665184	37655	17.66:1



INTERPRETATION

Inventory turnover is a measure of how efficiently a company can control its merchandise, so it is important to have a high turn. This shows the company does not overspend by buying too much inventory and wastes resources by storing non-salable inventory. It also shows that the company can effectively sell the inventory it buys.

This measurement also shows investors how liquid a company's inventory is. Think about it. Inventory is one of the biggest assets a retailer reports on its balance sheet. If this inventory can't be sold, it is worthless to the company. This measurement shows how easily a company can turn its inventory into cash.

Creditors are particularly interested in this because inventory is often put up as collateral for loans. Banks want to know that this inventory will be easy to sell.

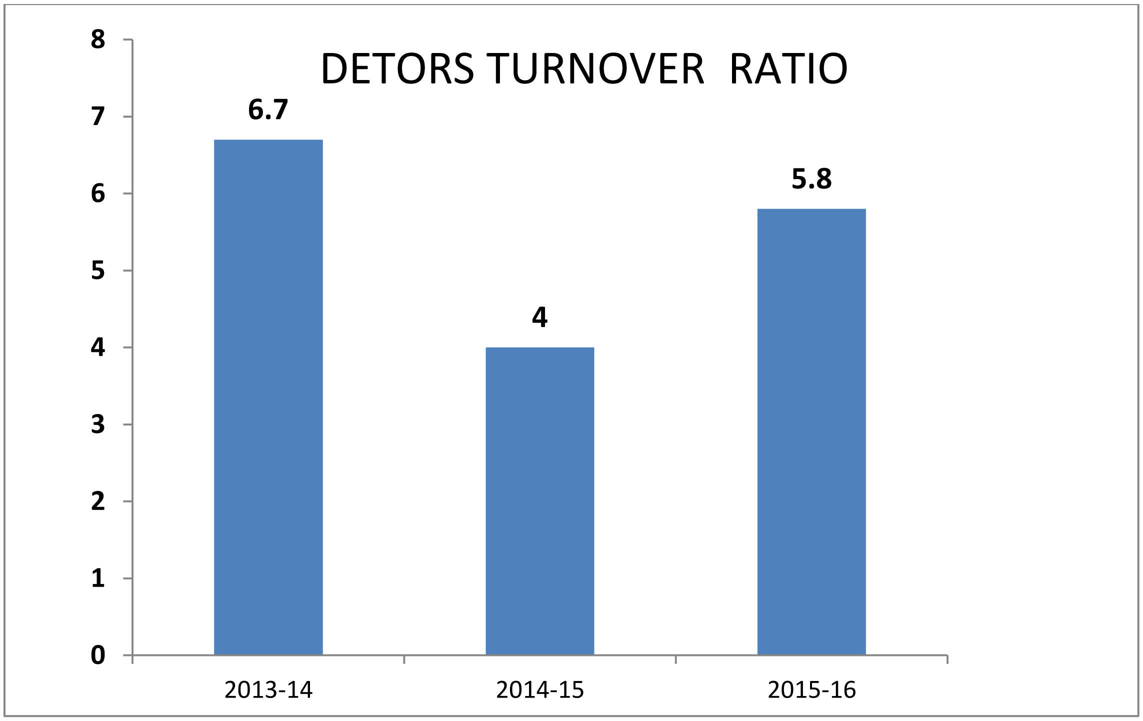
Inventory turns vary with industry. For instance, the apparel industry will have higher turns than the exotic car industry.

6. Debtors Turnover Ratio :-

This ratio indicates relationship between Credit sales and average debtors.

$$\text{Debtors Turnover Ratio} = \frac{\text{Credit Sales}}{\text{Average Debtors}}$$

FINANCIAL YEAR	CREDIT SALES	AVERAGE DEBTORS	RATIO
2013-14	803966	119057	6.7:1
2014-15	695374	171789	4:1
2015-16	884383	151227	5.8:1



INTERPRETATION

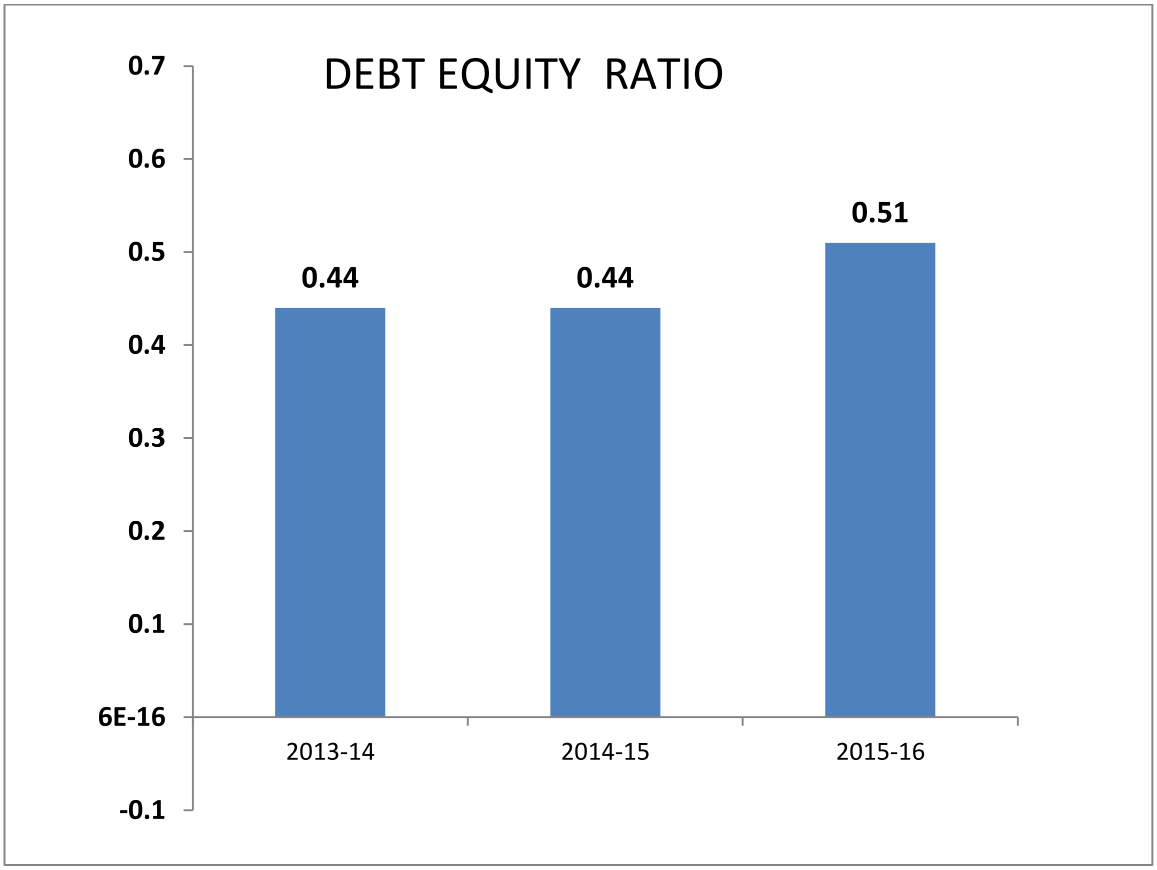
It measures the efficiency of business and collecting its credit sales. A high of debtors turnover ratio is favorable and lower figures may indicate inefficiency in collecting outstanding sales and increase in ratio generally indicates improvement in process of cash collection of credit sales. It also measures the liquidity of accounts receivables.

7.Debt Equity Ratio :-

This relationship describing the lenders contribution for each rupee of the owners' contribution is called debt equity ratio.

$$\text{Debt Equity Ratio} = \frac{\text{Long Term Debt}}{\text{Proprietor's Fund}}$$

FINANCIAL YEAR	LONG TERM DEBT	PROPRITOR'S FUND	RATIO
2013-14	**242849**	**546858**	**0.44:1**
2014-15	**271867**	**609398**	**0.44:1**
2015-16	**297849**	**579183**	**0.51:1**



INTERPRETATION

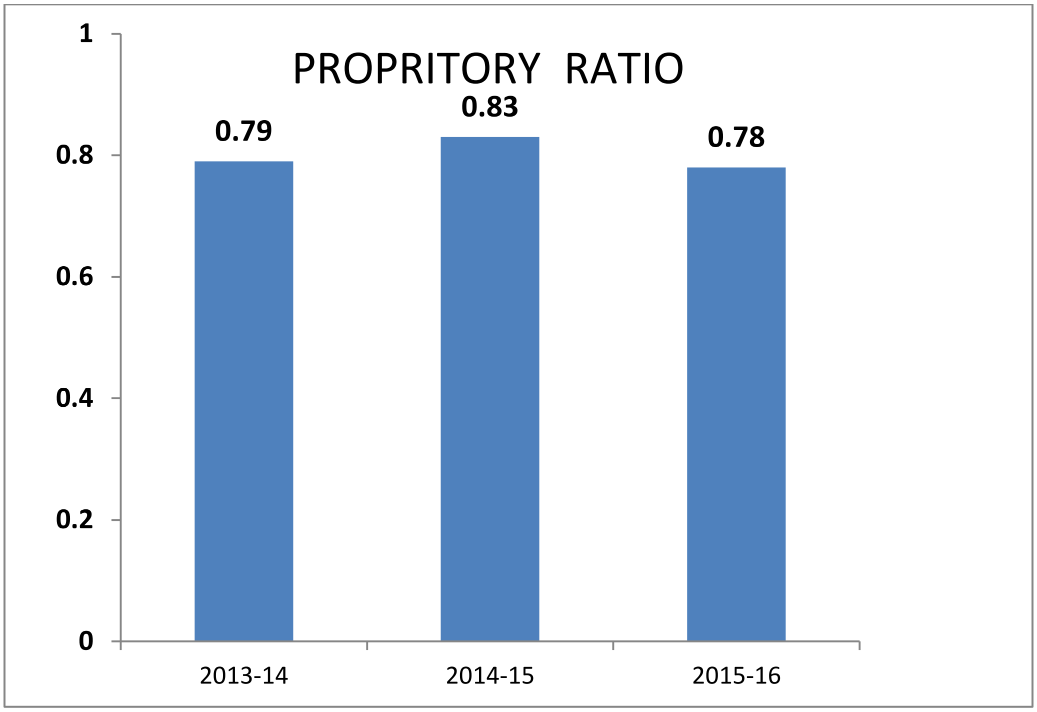
Debt to equity ratio directly effects the financial risk of an organization lower values of debt equity ratio are favoureble indicating less risk. Higher debt equity ratio is generally unfavoureble because it means that the business realizes more on external lenders. Thus it is at higher risk. An increase in trend of debt to equity ratio is also alarming because it means that the percentage of assets of a business which are financed by the debtors is increased.

8.Proprietary Ratio :-

Proprietary ratio is the test of the financial and credit strength of the business.

$$\text{Proprietary Ratio} = \left(\frac{\text{Proprietor's Fund}}{\text{Total Assets}} \right)$$

FINANCIAL YEAR	PROPRITOR'S FUND	TOTAL ASSETS	RATIO
2013-14	**546858**	**686242**	**0.79:1**
2014-15	**609398**	**734037**	**0.83:1**
2015-16	**579183**	**738891**	**0.78:1**



INTERPRETATION

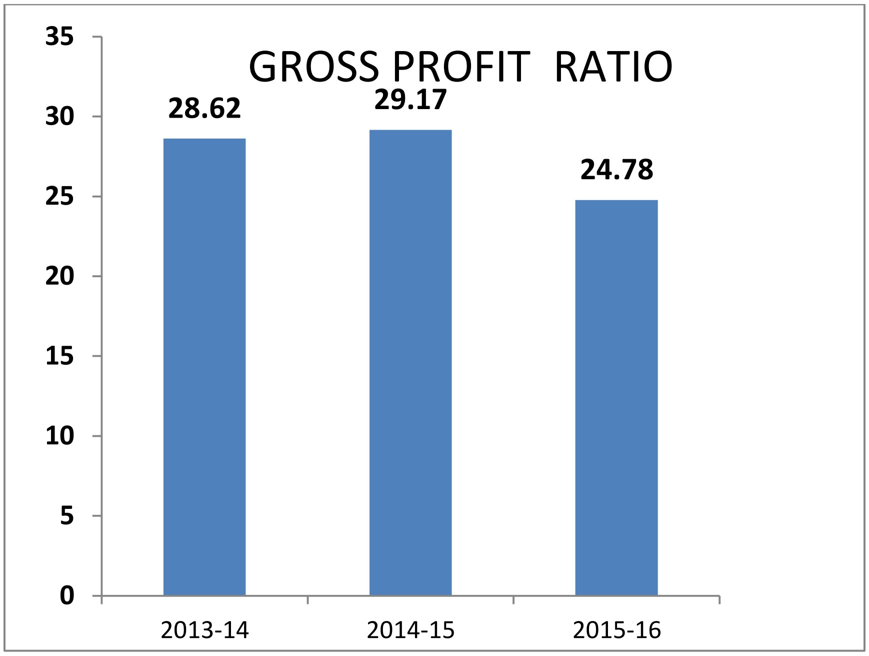
A preparatory ratio shows the contribution of stockholders in total capital of company. A higher proprietary ratio therefore indicates a strong financial position of company and greater security for creditors. A low ratio indicates that the company is already negatively dependent on debtors for its operation. A company with very high proprietary ratio may not be taking full advantage of debt financing for its operations that is also not good for stock holders.

9. Gross Profit Ratio :-

The gross profit marline reflects the efficiency with which management produces each unit of the product.

$$\text{Gross Profit Ratio} = \left(\frac{\text{Gross Profit}}{\text{Sales}} \times 100 \right)$$

FINANCIAL YEAR	GROSS PROFIT	SALES	RATIO
2013-14	**230166**	**803966**	**28.62%**
2014-15	**202893**	**695374**	**29.17%**
2015-16	**219199**	**884383**	**24.18%**



INTERPRETATION

This ratio reflects the efficiency with which management produce each unit of product. Gross profit ratio shows profit relative to sales after the deduction of production cost. A high gross profit margin relative to industry average implies that firm is able to produce at relatively lower cost. Whereas low gross profit may reflects higher cost of goods sold.

Gross profit ratio in this company in year 2013 and 2014 more than 2015 in 2015 the cost of goods sold higher covering than 2014 but less than 2013 that is the position of company is not

CHAPTER NO-6

Findings

Gross profit decreased during the period of study, which indicates that firm's inefficient management in manufacturing and trading operations.

Gross profit increased during the period of 2014-15 which indicates that firm's efficient management in manufacturing and trading operations.

Liquidity ratio of the firm is better liquidity position in over the three years. It shows that the firm had sufficient liquid assets.

The fixed assets turnover ratio of the firm has in 2013-14 the ratio is 1.12 and it decrease in the next year and it again increase in 2015-16.

CAPTER NO -7

SUGGESTIONS

- The profit Of the Company Is not in a good Position For That company has to Take Alternative Actions such As
  - Increasing in Procurement ,
  - Production and Control in Expenses Like, Administrative, selling Etc.
- The firms have low current ratio in year 2013-14 so it should increase its current ratio where it can meet its short term obligation smoothly.
- Liquidity ratio of the firm is not better liquidity position in year 2015-16. So I suggested that the firm maintain proper liquid funds like cash and bank balance.
- It should enhance its employee’s efficiency, more training needed to its employees in order to increase its production capacity and minimize mistakes while performing the tasks, also more safety precaution need to implement to the employees who directly working on production process.
- The firm high inventory so I suggested that the firm must reduce the stock by increase sales.

CHAPTER NO-8

CONCLUSION

This project of Ratio analysis in the production concern is not merely a work of the project. But a brief knowledge and experience of that how to analyze the financial performance of the firm. The study undertaken has brought in to the light of the following conclusions. According to this project I came to know that from the analysis of financial statements it is clear that M/s Yashodeep Industries. Have been incurring loss during the period of study. So the firm should focus on getting of profits in the coming years by taking care internal as well as external factors. And with regard to resources, the firm is take utilization of the assets properly. And also the firm has a maintained low inventory.

CHAPTER NO – 9

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