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A Study on Ratio Analysis of ITL Pipes, Nandyala

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ABSTRACT

Ratio analysis plays an important role to analyze the financial position of the company. A Ratio is a simple arithmetical expression of the relationship of one number to another. It may be defined as a ratio "Is an expression of quantitative relationship between two numbers". In simple language ratios number expressed in term so another and can be worked out by dividing one number into another. The project report entitled to study on the ratio analysis of ITL Pipes PVT ltd. It is measuring the financial position of the company by converting of absolute numbers into ratios, the study ability to make comparison between one year to another year. Indeed, ratio analysis is the interpretation of ratios; it can't be achieved without some form of comparison. Analytical research is used to calculate different types of ratios. Data is collected from the annual reports of ITL pipes

Key Words : Liquidity Ratios, Activity Ratios, Profitability Ratios

INTRODUCTION

RATIO ANALYSIS:

A Proportion is a straightforward arithmetical articulation of the relationship of one number to another. It very well might be characterized as a proportion "Is a declaration of quantitative

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connection between two numbers". In straightforward language proportion is number communicated as far as one more and can be worked out by partitioning one number into another.

Examination and understanding of fiscal reports with the assistance of proportion is named as "Proportion Investigation".

It is the method involved with distinguishing the monetary strength and shortcoming of the firm. This might be achieved either through a pattern examination of the organizations proportion throughout some stretch of time.

DEFINITION:

A proportion is a numerical connection between two communicated in a quantitative from. Proportion can be characterized as "connections communicated in amounts structures, between figures which have circumstances and logical results connections".

Proportion examination is an advanced age method of monetary investigation. The data given by budget summaries in outright from in authentic and static passing very little on to the clients.

IMPORTANCE OF RATIO ANALYSIS:

- ❖ Help to Quantify subject There General Effectiveness
- ❖ Help to Quantify Monetary Dissolvability
- ❖ Work with Navigation
- ❖ Help in Restorative Activity
- ❖ Assessment of Proficiency
- ❖ Compelling Apparatus
- ❖ Discovery of Negative Element

OBJECTIVES AND BENEFITS OF RATIO ANAALYSIS:

Proportion Examination subsequently turns into an essential instrument for monetary investigation and monetary administration. Allow us to take a few targets that proportion examination.

- ❖ Decides Productivity
- ❖ Decides Functional Productivity
- ❖ Helping in assessing dissolvability
- ❖ Decides Appropriate liquidity

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ADVANTAGES OF RATIO ANALYSIS:

1. It improves on the budget summaries.

2. This helps in looking at organizations.

3. Helps to approve or discredit the funding, venture and working choices of the firm.

4. Assists in pattern examination which includes looking at a solitary organization over a period.

5. Facilitates to distinguish trouble spots and bring the consideration of the consideration of the administration to such regions**.**

MAIN TYPES OF RATIOS:

- Profitability Ratios
- Coverage Ratios
- Turnover Ratios
- Financial Ratios
- Control Ratio.

REVIEW OF LITERATURE

A literature review is a piece of academic writing demonstrating knowledge and understanding of the academic literature on a specific topic placed in context. Here the previous researches related with the present study:

Cooper (2000)
Conducted a study on financial intermediation on which he observed that the quantitative behavior of business-cycle models in which the intermediation process acts either as a source of fluctuations or as a propagator of real shocks. In neither case do we find convincing evidence that the intermediation process is an important element of aggregate fluctuations. For an economy driven by intermediation shocks, consumption is not smoother than output, investment is negatively correlated with output, variations in the capital stock are quite large, and interest rates are procyclical. Theo match unconditional movements Model Company thus fails match unconditional moments for the U.S. economy. We also structurally estimate parameters of a model economy in which intermediation and productivity shocks are present, allowing for the intermediation process to propagate the real shock. The unconditional correlations are closer to those observed only when the intermediation shock is relatively unimportant.

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Schmidgall (2003)
Conducted a study on financial analysis using statement of cash flows on which he observed that manager's use may financial ratios to judge the health of their businesses. With the recent requirement of a statement of cash flow (SCF) by the financial accounting standards board, managers now have a set of ratios that will give a realistic picture of the business. The ratios include cash flow-interest coverage, cash flow-dividend coverage, and cash flow from operations to cash flow in investments. These ratios are particularly useful because they show changes in a hotel or restaurant's cash position over time, rather than at a given moment, as is the case with many other ratios.

Murinde (2003)
Conducted study on Corporate Financial Structures on which he observed that the financial structure of a sample of Indian non-financial companies using a new and unique data set consisting of a panel containing the published accounts of almost 900 companies that published a full set of accounts every year during 1989-99.In a new departure in the literature, the dataset includes quoted and unquoted companies. We compare the sources-uses approach to analyzing company financial structures with the asset-liability approach. We use both approaches to characterize and to compare the financial structures of Indian companies over time; between quoted and unquoted companies; and between companies which belong to a business group and those that do not. Finally, we compare our results to those obtained previously for India and for the industrial countries.

McMahon (2005)
Conducted a study on financial information on which he found that financial statements mean little to the uninitiated. This Paper, explains in layman's terms, how to understand financial information. It covers measures of profitability. The second article will cover measure of company liquidity and the use of financial ratios. This paper continues to explain how to interpret and understand financial information. It deals with measures of liquidity, solvency and fund flows and describes how to establish standards against which a company's financial ratios can be compared.

Lee (2008)
Conducted a study on financial information on which he observed that financials researches, including those concentrating on the lodging industry, use various financial risk measures for their studies. Examples of those risk measures are beta, earnings variability, bankruptcy profitability, debt-to-equity ratio and book-to-maker ratio. The purpose of this study is, first, to descriptively investigate various financial risk measures used in the lodging financial literature by performing factor analysis and identifying four risk groups. Second, this study examines the predictive ability of the four risk groups for lodging firm performance risk factors better represent a lodging firm's financial risk than do bankruptcy and firm performance risk factors,

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and also, ROA than ROE better estimates lodging firm performance in terms of their relationships with financial risk of factors.

Johnson (2009)
Conducted a study on financial ratio patterns on which he found that the properties and characteristics of financial ratios have received considerable attention in recent years with interest primarily focused on determining the predictive ability of financial ratios and related financial data. Principal areas of investigation have included the prediction of corporate bond ratings, and the anticipation of financial important. Related studies have examined the characteristics of merged firms the differences in financial ratio averages the relationship between accounting-determined risk measures, and the influence of financial ratios on analysts' judgments about impending bankruptcy. The general conclusion to emerge from these various research efforts is that a number of Financial ratios have predictive and descriptive utility when properly employed.

NEEDS FOR THE STUDY:

Ratio analysis is used to find out the success and failure of a business of the management of the firm's capital. Efficient management of inventory leads to reduction in the cost of production, and leads to profile. The main purposes behind this project are to know the financial performance of ITL Ltd.

OBJECTIVES OF THE STUDY:

To analyze the liquidity position of the company
To know the operational efficiency of the company
To know the profitability position of the company
To suggest measures to improve financial position of the firm
To evaluate financial position of the firm

RESEARCH METHODOLOGY:

Research design - Analytical Study

Data Source - Secondary data

Primary Data - Most of the information is collected from internal interviews and discussion with various officials in the finance department and concerned executive of another department.

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Secondary Data -The secondary data was collected form already published sources. Annual reports, published records and reference books. Executive and staff financial accounting department. Executives of other departments

Research tools - Financial ratios

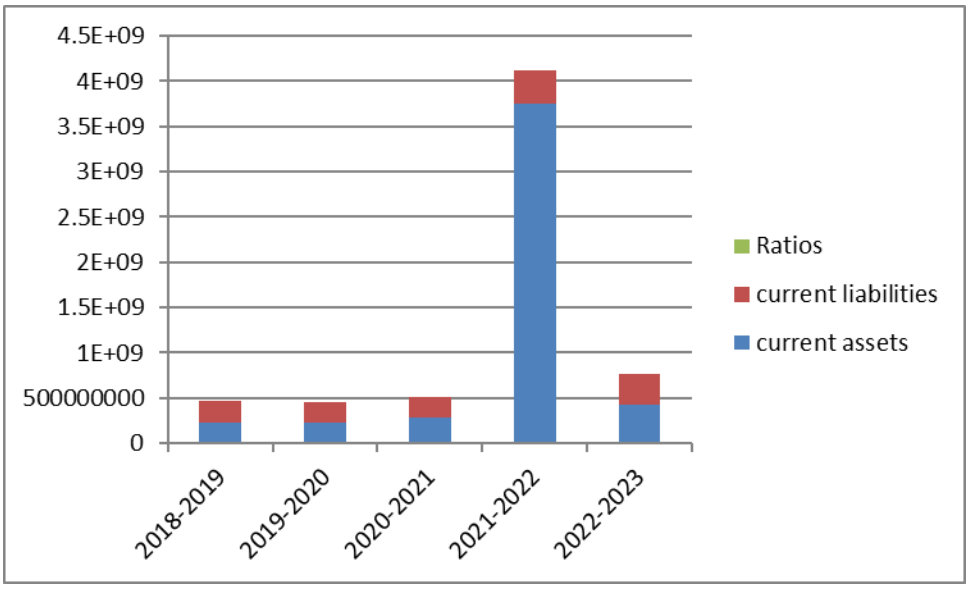
Period of study - The period of study is 5 financial years i.e.,

ANALYSIS

Liquidity Ratio:

Current Ratio:

Years	Current assets	Current liabilities	Ratios
2018-2019	225554174	246163692	0.92
2019-2020	232089034	218434059	1.06
2020-2021	278140083	231536382	1.20
2021-2022	375411214	370425050	1.01
2022-2023	426603587	332991405	1.28



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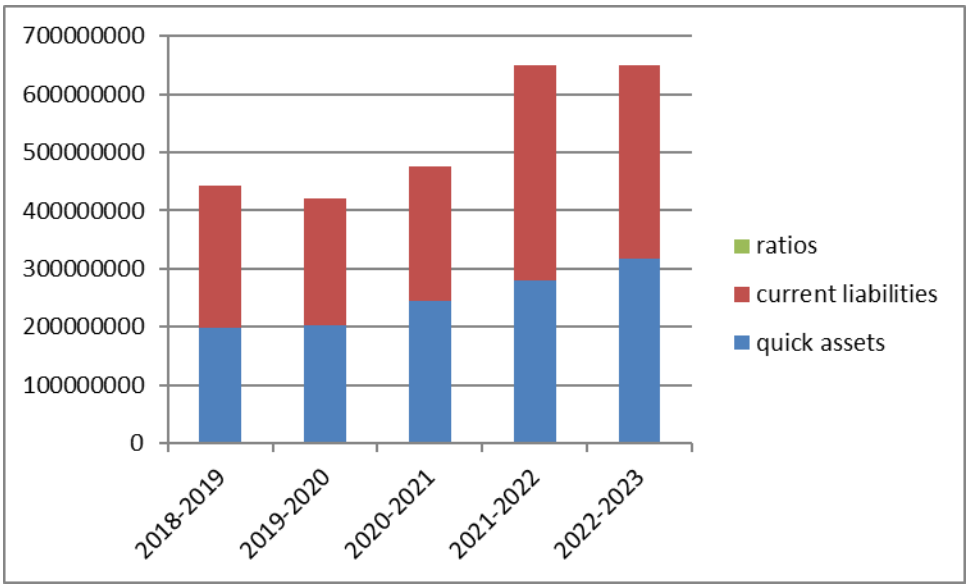
Quick Ratio:

Years	Current assets	Current liabilities	Ratios
2018-2019	197242039	246163692	0.80
2019-2020	202128357	218434059	0.93
2020-2021	244315006	231536382	1.06
2021-2022	279054176	370425050	0.75
2022-2023	316400008	332991404	0.95



Activity Ratio:

Inventory Turnover Ratio:

Years	Cost of goods sold	Average inventory	Ratios
2018-2019	476399169	29136406	16.35
2019-2020	385824129	31892877	12.10
2020-2021	441983494	65091057	6.79
2021-2022	814814887	103280308	7.88
2022-2023	818185018	181859801	4.50s

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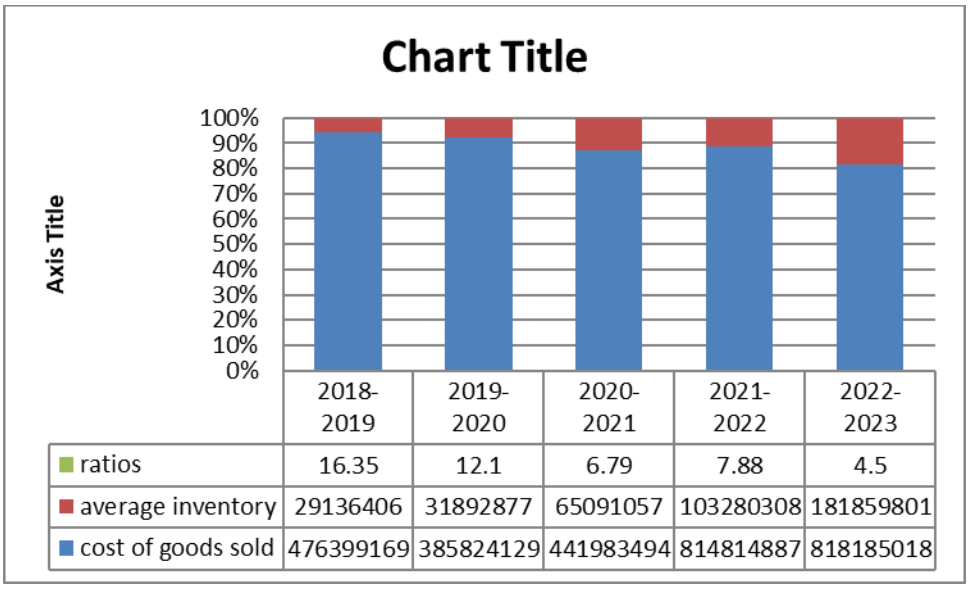

Working Capital Turnover Ratio:

Years	Net revenue	Working Capital	Ratios
2018-2019	616927988	-20609518	-29.93
2019-2020	461405634	13654975	33.79
2020-2021	520844974	46603701	11.33
2021-2022	734844160	4986164	147.37
2022-2023	868314878	93612183	9.27

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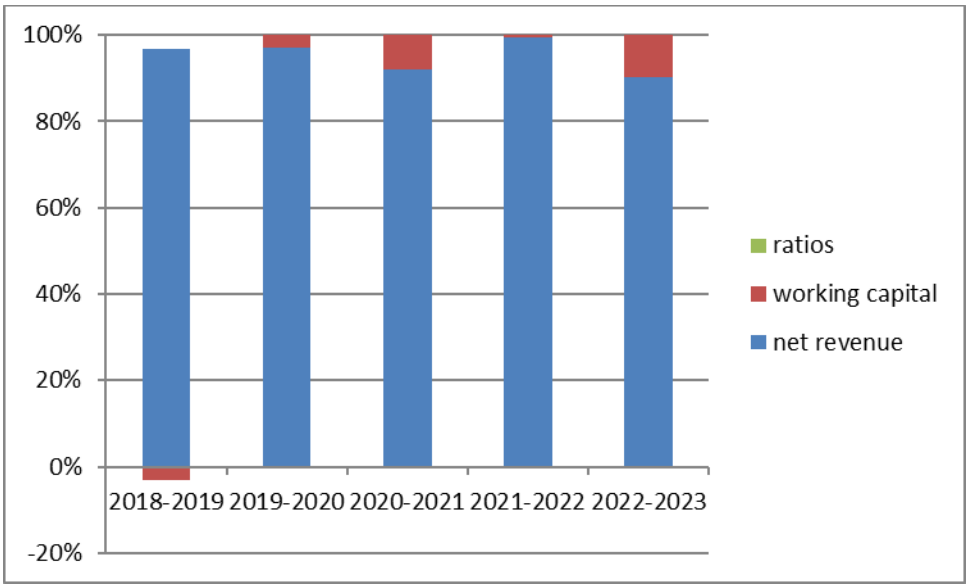

Earnings per Ratio:

Years	Profit Attribute For equity Share holders	Number of equity shares	Earnings per share
2018-2019	**3144450**	**6288900**	**0.50**
2019-2020	**12833644**	**6288900**	**2.04**
2020-2021	**15789870**	**6288900**	**2.51**
2021-2022	**127512028**	**6288900**	**20.28**
2022-2023	**16418117**	**6288900**	**2.61**

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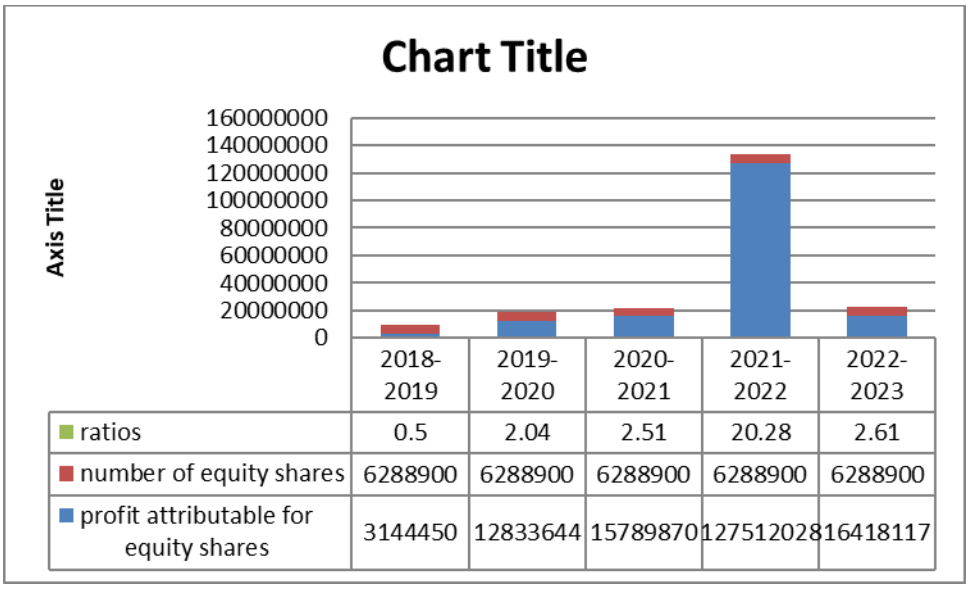

CONCLUSION

The overall performance of the company was satisfactory. But the company should focus on effective utilization of its resources that may lead to growth of the organization.

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