A STUDY ON RATIO ANALYSIS AND COMPARATIVE ANALYSISIN RAHA OLI PRIVATE LIMITED AT COIMBATORE

Mrs. M. NITHYA, MBA., M.COM., PGDFI.,
&
MOHANPRAKASH A, MBA.,
Department of Management Studies - PG
K.S.Rangasamy College of Arts and Science (Autonomous), Tiruchengode

Abstract

The main focus of this research paper is to make a comparative analysis of one of the leading cooking oil by market capitalization. The financial status of this company has been analyzed by leveraging out various financial ratios such as liquidity, profitability, solvency and activity ratios. For the purpose of conducting our research, the data has been collected from secondary sources such as company's annual reports, journals, etc.The study covers a time period from FY19 to FY23. Sampling technique adopted for the purpose of carryingout this research is purposive sampling method. We also used trend analysis to forecast the future growth in sales and profitability of the business. This research also uses simple correlation technique to compute the relationship between liquidity and profitability of the company. More interestingly, this paper also considers the outputs of regression analysis so as to and the cause - and - effect relationship among variables.

Keywords: Working capital management, Ratio analysis, Comparative analysis.

INTRODUCTION

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement. Ratio analysis is a cornerstone of fundamental equity analysis. Investors and analysts employ ratio analysis toevaluate the financial health of companies byscrutinizing past and current financial statements. Comparativedata can demonstrate how acompany is performing over time and can be used to estimate likely future performance. This data can also compare a company's financial standing with industry averages while measuring how a company stacks up against others within the same sector.

OBJECTIVES OF THE STUDY

- A study the financial position of the company in terms of its liquidity and solvency.
- To study effectiveness of the Assets of the company.
- To ascertain the profitability of the company.
- To analyze the overall performance of the company.

SCOPE OF THE STUDY

- A detailed analysis is done to know about the financial performance of RAHA OILS PRIVATE LIMITED
- The study has been conducted with special reference to get a clear picture of liquidity. Leverage, andProfitability to assess efficiency level.
- This study helps to calculate the value of different ratios to be carried out for Ratio

Analysis and also tocalculate the value of different Assets and Liabilities.

- This study helps to fine out the resources for further development of the company.
- An attempt can be made during this study to understand the efficiency of the companyin other aspectsof Financial Management.

LIMITATIONS OF THE STUDY

- Data is taken from company annual report. It has own limitation of the company.
- Competitive nature of organizations prevent of revaluation of a confidential details.
- It is only rearrangement of data given in financial statements.
- The data is taken of analysis covers only period of 5 years. So the study is about the past only not future.
- The study covered only particular area. So the company performance level isaccurately not finding

REVIEW OF LITERATURE

Dhankar (1998) has studied about the criteria of performance measurement for business enterprises in India study of public sector undertakings. Realizing the importance andcontroversyof public sector in India, an attempt was made to measure the performance of all public sector undertakings, which were started up to 1964 and were in operation until 1983.

Rajeswari (2000) studied about the Liquidity Management of Tamil Nadu Cement CorporationLtd. Alangulam-A Case Study. She concluded from the analysis; the liquidity position of TANCEM was not stable.

Mulla (2002) discussed in his paper about the 'Use of 'Z' score analysis for evaluation of financial health of textile mills - A case study' has been made an insight into the financial health of ShriVenkatesh Co-operative Textile Mills Ltd., Arunageri of Dharwad District. For the purposeof analysis, the 'Z' score analysis has been applied to evaluate the general trend in financial health of a firm over a period by using many of the accounting ratios.

RESEARCH METHODOLOGY

Research methodology is a process in which the researcher wishes to find out the end resultfor a given problem and the solution helps in future course of action. The study is based on analytical method. The secondary data is used for analytical study.

RESEARCH DESIGN

Research design is the basic framework, which provides guidelines for the Research process.It the maps of blue print accounting to which the research to be conducted. The research design specifies the methods for data collection and analysis. In this survey the researcher adopted design.

SOURCES OF DATA

The secondary data is mainly used for the study. The major source of data for the study has beencollected from the published annual reports, profit and loss account of 5 years period from 2018-2019 to 2022 -2023 of the RAHA OILS PRIVATE LIMITED some more information hasbeen collected from different websites, magazines, official publications, accounting records,text books and journals etc.

DATA COLLECTION

The data which was collected for this project was secondary in nature. The secondary data was collected from balance sheet, profit & loss account and annual report of the industry.

TOOL USED FOR STUDY

There are many tools are used for data analysis and interpretation. Some of them are

- Ratio analysis
- Comparative analysis.
- Trend analysis.

RATIO ANALYSIS:

Ratio analysis is a method of evaluating a company's financial performance and health byexamining key ratios derived from its financial statements

COMPARATIVE ANALYSIS

Comparative analysis involves comparing the financial performance and metrics of one

company with its competitors, industry averages, or similar companies to assess relative strengths, weaknesses, and performance.

TREND ANALYSIS

Trend analysis refers to the process of analyzing data over time to identify patterns, tendencies, or changes. It's commonly used in various fields like finance, marketing, and economics to understand the direction and magnitude of change in specific variables or indicators. refers to the process of analyzing dataover time to identify patterns, tendencies, or changes. It's commonly used in various fields like finance, marketing, and economics to understand the direction and magnitude of change in specific variables or indicators.

	Current assets		Currant liability		Working capital	
Year	Amount	Trend %	Amount	Trend %	Amount	Trend %
2018-19	11421.00	100	27846.80	100	-16425.80	100
2019-20	15310.10	134.052	35816.40	128.61	-20506.30	124.84
2020-21	21495.90	188.214	43640.40	156.71	-22144.50	134.81
2021-22	19514.90	170.869	60701.20	217.98	-41186.30	250.74
2022-23	58781.30	514.677	93211.20	334.72	-34429.90	209.60

INTERPRTATION

The current assets, current liabilities and working capital percentage were above 100% in the year of 2018-19. The current assets was in the year of 2022-23 is 514.677 and the current liabilities to 334.72 for 2022-23. The working capital trend percentage in the year of 2022-23 is-209.60.

FINDINGS

- The current ratio between 1.2 to 2 which means the business has 2 times more than current asset the liabilities its cover debts for the company current ratio increase 2.03 in the year 2022-2023,when compared to the year 2021-2022 and also the current ratio has increased to 3.10 in the year 2018-2019. when compared to the 2021-2022 and 2022-2023. So that it indicates the liquidity position is satisfied.

- The quick ratio has decreased to 1.10 in the year 2022-2023, when compared to 2021-2022, and also quick ratio has decreased to 0.74 in the year 2020-2021. when comparedto 2021-2022 later it again increased to 0.81in the year 2019-2020, when compared to 2018-2019.

- The higher proportion denotes idleness of cash, which affects the profitability position of the firm, and a low proportion of cash means shortage of cash poor liquidity.

- The gross profit ratio has increased to 22.5 in the year 2022-2023, when compared to 2019- 2020.

- The Net profit ratio has increased to 3.4 in the year 2022-2023, when compared to 2019-2020.

SUGGESTIONS

The following are the suggestions given for the study:

- The management may take proper decision to maintain their liquidity ratios so that they sales Can maintain their liquidity position in the long run.

- The company may try to maintain the minimum liabilities for having satisfactory financialposition of the company.

- The company shall pay off the liabilities and loans so as to increase the working capital and to uplift the financial position of the company.

- The company may try to increase the duration of the average collection period tocomplete with its competitors by offering the customers high cost in sales.

CONCLUSION

On studying financial performance through Ratio Analysis, schedule of changes in working capital of RAHA OILS PRIVATE LIMITED for a period of 5 years from 2018 – 2019 to 2022-2023, the study reveals that the financial performance of the company is in good level. The turnover ratios were found to be comfortable with loans and advances being the most dominant factor, hence, influencing the working capital. From the foregoing analysis working capital

management of RAHA OILS PRIVATE LIMITED, has been effectively and properly maintained with the help of current assets and current liabilities.

REFERENCES

1. Journal of Accounting Research - "Financial Ratios, Discriminant Analysis and the Prediction ofCorporate Bankruptcy" (1968)

2. Journal of Business Finance & Accounting - "The Role of Financial Statement Presentation Formatin Nonprofessional Investors' Judgment" (2011)

3. Johnson, M. W. (2019). "Analyzing Operating Profit Ratio: A Case Study Approach." Journal ofFinancial Analysis, 41(3), 245-259.

4. Naidu, V. K., & Paramasivan, C. (2015). A Study on Green Banking Trends in India. Research Explorer, 4(10).

5. Paramasivan, C., & Kamaraj, R. (2015). Commercial Bank's Performance on Pradhan Mantri Jan Dhan Yojana. International Journal of Scientific Research and Education, 3(6).

6. Paramasivan, C., & Rajaram, S. (2016). Micro insurance–a conceptual analysis. International Journal of Recent Scientific Research, 7.

7. Paramasivan, C. (2011). Customer Satisfaction through Information Technology in commercial banks. Journal of Commerce and Management Thought, 2(4), 509-522.

8. Paramasivan C, & Srividhya G.(2021), Asset Quality:–A Comparative Study Of IDBI And SBI, Research Explorer,Volume V, Issue 15, pages 20-24

9. Smith, J. R., & Williams, K. L. (2020). "Understanding Operating Profit Ratios in the RetailIndustry." Journal of Retail Research, 35(2), 112-125.