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Comparative Balance Sheet Analysis and Ratio Evaluation: A Study of RK ASSOCIATE & HOTELIERS PVT.LTD Performance Over the Last Two Years

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Abstract

The financial performance of any company is crucial for understanding its long-term viability and operational health. A balance sheet provides a company's financial standing by detailing its assets, liabilities, and shareholders' equity for a specific point of time. For companies in the catering sector, like R.K. Associates & Hoteliers Pvt. Ltd., such evaluations are important to assess liquidity, solvency, and overall business sustainability. Over time, comparing balance sheets helps identify shifts in financial structure, while ratio analysis adds depth by providing insights into operational efficiency, debt management, and profitability. This study undertakes a comparative balance sheet analysis and ratio evaluation of R.K. Associates & Hoteliers Pvt. Ltd. for the past two financial years.

The primary objective of this report is to compare the balance sheets of R.K. Associates & Hoteliers Pvt. Ltd. for the last two years. This study aims to evaluate the financial health of the company by analyzing changes in key financial components such as assets, liabilities, and equity. It also aims to apply financial ratio analysis to determine the company's liquidity, solvency, and profitability trends, offering insights into its financial management over the analyzed period.

This study of comparison, it can be derived that the asset base for R.K. Associates & Hoteliers Pvt. Ltd. between 2023 and 2024 has increased considerably, driven by an increase in non-current assets due to increased investment and property purchases. Long-term borrowings seem to be the only substantial factor in the considerable rise in total liabilities of the company.

Balance Sheet, Ratio Analysis, Financial Performance, Liquidity, Solvency, Profitability, R.K. Associates & Hoteliers Pvt. Ltd., Comparative Analysis, Assets, Liabilities, Shareholders' Equity.

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CHAPTER -1

INTRODUCTION TO STUDY

Ratio Analysis is a form of Financial Statement analysis that is used to obtain a quick indication of a firm's financial performance in several key areas. The ratios are categorized as Short-term Solvency Ratios, Debt Management Ratios, Asset Management Ratios, Profitability Ratios, and Market Value Ratios.

Ratio Analysis as a tool possesses several important features. The data, which are provided by financial statements, are readily available. The computation of ratios facilitates the comparison of firms which differ in size. Ratios can be used to compare a firm's financial performance with industry averages. In addition, ratios can be used in a form of trend analysis to identify areas where performance has improved or deteriorated over time.

NEED OF THE STUDY

1. The study has great significance and provides benefits to various parties whom directly or indirectly interact with the company.
2. It is beneficial to management of the company by providing crystal clear picture regarding important aspects like liquidity, leverage,
activity and profitability.
3. The study is also beneficial to employees and offers motivation by showing how actively they are contributing for company's growth

Objective of the study:

1. To help the management in its planning and forecasting activities.
2. To evaluate operational efficiency, liquidity, and solvency of firm.
3. To help the management in having effective control over the activities of different departments.
4. To compare the previous two years performance of the company.
5. To give suggestion and recommendation based on the study.

SCOPE OF THE STUDY

The focus of the internship is to analyze the financial statements, ratios & inventory management of the company at the finance department and at other departments related to this project at RK ASSOCIATES &HOTELIERS PVT.LTD.

LIMITATION OF THE STUDY

1. The study is confined to a period of 2 year i.e. 2022-2023, 2023-2024.
2. As most of the data is from secondary sources, hence the accuracy is limited.

Time is an important limitation. The whole study was conducted in a period of 60 days, which is not sufficient to carry out proper interpretation and analysis

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CHAPTER -2

COMPANY PROFILE

RK Group

We are a pioneer in the Indian Railway Culinary Industry with a rich legacy of six decades. Standing as the country's largest Indian Railway Food and Tourism partner, we take pride in crafting meaningful railway experiences for the people of India.

With sixty years of dedicated service, our unwavering passion for progress fuels our commitment to build the nation and provide quality services to its citizens, fostering a brighter future.

Our Vision & Mission

Mission

Our mission is to be India's largest service provider across Catering, Hospitality, Tourism, & Healthcare.

Vision

Our vision is to reach and serve people of India with immense care and enriching life experience.

Values Our Values

Passion and Entrepreneurship

We are passionate about serving people with dedication and care.

Quality

We are committed to providing outstanding services that set the standard for excellence.

Customer Satisfaction

We strive to always exceed our customers' expectations and foster their trust.

Innovation

We are dedicated to staying ahead of the curve by delivering cutting-edge services, using best available technology and significantly expanding our operations to meet evolving needs of our customers.

Sustainability

We believe in embracing eco-friendly practices and contributing positively towards preserving the environment.

Chairman

Sharan Bihari Agrawal

For over six decades, Mr. Agrawal has been serving on the board since the company's inception. His journey took a curve when he received positive customer feedback. This made him set a standard for excellence that would define the company's future.

His calm and steady approach, along with his deep understanding of the industry, make him an invaluable leader. Mr. Agrawal's commitment and vision continue to drive the company forward, ensuring success in diverse sectors. He expanded into various service sectors, including tourism, hotels, hospitality and QSR chains. Mr. Agrawal's vast business experience and expertise have been crucial in guiding the company.

Directors

Rahul Agrawal

Dr. Rahul Agrawal

Managing Director

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Mr. Agrawal is responsible for handling major responsibilities with skill and dedication. He oversees all mergers and acquisitions to make sure each deal is finely executed and benefits the company. His focus on growth and strategy constantly drives him to develop new plans that drive the company forward. He focuses on the hospitality sector, paying special attention to the tourism and hotel segments. His work ensures that these areas thrive and provides excellent services while expanding their reach. He also plays a vital role in the healthcare sector to make sure that the company's initiatives in this field are effective and innovative. Mr. Agrawal's strategic vision is a key to the company's ongoing

Vishal Saxena
Company Secretary

Mr. Saxena upholds the highest standards of corporate governance as the primary advisor to the board of directors. He manages conflicts of interest and aligns decisions with shareholder and stakeholder interests. He handles compliance with laws, regulations and corporate governance practices and supports the team members with training.

Mr. Saxena evaluates the performance of the Board of Directors and maintains critical documents, reinforcing our commitment to transparency.

Vijay Bhat Group Chief Technology Officer
Vijay Bhat
Group Chief Technology Officer

Vijay Bhat is responsible for managing and implementing technology strategies and overseeing the development and execution of IT initiatives that align with the company’s business vision and goals. His work focuses on ensuring effective digital transformation that drives innovation and enhances efficiency. He comes with 28 years of professional experience with a strong educational foundation in electronics and communication engineering and an MBA in IT and systems. Mr. Bhat brings a unique combination of technical expertise and business acumen to his role. His leadership is defined by his emphasis on mentorship and team building, reflecting his belief in empowering others. By conducting need-based training and fostering a culture of continuous learning, he creates an environment where innovation thrives.

Company Secretary
Abhishek Kumar
Group Chief Human Resources Officer

Mr. Kumar plays a pivotal role in shaping the human resources strategy at the RK Group, a company fundamentally driven by people and processes. He strategically aligns HR initiatives with a strong focus on integrating technology to enhance organizational efficiency through automation.

With over 22 years of extensive experience across leading companies such as Nestlé, Mahindra and Timken, Mr. Kumar brings a wealth of knowledge from various industries. He is a strong advocate for team development and firmly believes that “the team crosses the finish line, not individuals.”

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CHAPTER – 3
LITERATURE REVIEW

(MOTORS, 2023) The author focus on financial analysis in the automobile industry emphasizes the use of ratio analysis, funds flow analysis, and cash flow analysis to assess a company's financial health. Studies focusing on TATA Motors and Mahindra & Mahindra Motors highlight the importance of examining solvency, profitability, and efficiency to evaluate their short- and long-term performance using secondary data from financial statements over several years.

(J., Gopinathan, & Srividhya) the authors highlights the use of ratio analysis, comparative balance sheets, and trend analysis to evaluate a company’s financial performance, focusing on liquidity, profitability, and long-term stability. Studies emphasize the importance of financial analysis in guiding managerial decisions and investments, as well as pinpointing strengths and weaknesses from financial statements, which helps improve liquidity and returns.

(Khan, Rahman, Jan, & Khan,, 2017) The author focus on financial performance comparison between Islamic and Conventional banks highlights key differences in profitability, liquidity, and risk management. Studies using ratio analysis reveal that Conventional banks tend to be more profitable and operationally efficient, but are also riskier and less liquid compared to Islamic banks. Significant differences are noted in profitability, capital adequacy, and cash flow ratios, providing insights for stakeholders.

(Delbreil, et al.) The author focus on corporate equity levels across European Union Member States emphasizes the importance of equity in determining creditworthiness and financial stability. Comparative studies from 1991 to 1993 highlight differences Findings reveal that while countries like France and Spain show higher equity ratios, Italy remains under-capitalized, with equity levels influenced by taxation, banking systems, and regulatory environments.

(Lawal, Olufemi, Adewuyi, & Oye, 2018) The author focus on IFRS adoption highlights its impact on the monetary relevance of accounting information, particularly in enhancing transparency and comparability. Studies on IFRS adoption in foreign countries have shown positive effects on financial performance indicators like Earnings per Share (EPS) and Book Value per Share (BVPS).

(Latif & Kazemi, 2007) The author focus on measuring abnormal performance of U.S. mutual funds in international equity markets highlights the use of the stochastic discount factor method. This approach evaluates both market integration and mutual fund manager performance. Studies suggest that in non-integrated markets, fund managers could exploit arbitrage opportunities, but findings show no significant excess returns relative to a U.S. equity market benchmark.

(Kravchenko) The author focus on corporate governance highlights the positive influence of international supervisory board members on firm performance. Studies show that characteristics such as knowledge, independence, and international experience enhance a board’s ability to monitor and advise, leading to improved operational outcomes. This research, based on Polish firms, confirms the value of diverse, globally experienced board members in strengthening corporate governance practices.

(Lane, 2009) Since 1980, Japan's international financial integration has followed a boom-bust-recovery cycle, mirroring its domestic economic fluctuations. Studies explore the relationship between financial integration and macroeconomic performance, with a focus on the yen's behaviour, official reserves, and the broader effects of

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external liberalization on Japan's financial system. These investigations aim to understand the impacts on Japan's economic stability and growth.

(Gupta, 2015) The author examines the progress of India's telecommunication sector, specifically focusing on the public sector undertaking BSNL, from 2004 to 2008. By employing trend analysis, comparative balance sheets, and liquidity and profitability ratios, it aims to assess BSNL's financial health and operational performance. Previous research highlights the challenges faced by BSNL amid increasing competition and sectoral reforms.

(Cernikova & Malikova, 2023) The author examines theoretical approaches to capital structure evaluation and their application within Czech accounting and tax frameworks. It explores factors affecting the optimal balance between equity and debt capital, focusing on the impact of financial leasing and tax shield theories under Czech legislation. The analysis highlights discrepancies between theoretical models and practical implementation, suggesting areas for further innovation in capital structure assessment.

CHAPTER – 4
RESEARCH METHODOLOGY

A research methodology is an outline of how a given piece of research is carried out. It defines the techniques or procedures that are used to identify and analyze information regarding a specific research topic. The research methodology, therefore, has to do with how a researcher designs their study in a way that allows them to obtain valid and reliable results and meet their research objectives.

Research Design is an arrangement of condition for collection at analysis of data in a manner that combines relevance to the research purpose with the economy in the process.

Process of Research

➢ Formulating the objective of the study (What the study is about and why it is being made)
➢ Designing the method of data collection (What technique of gathering data will be adopted)
➢ Selecting the sample (How much material will be needed)
➢ Collecting the data (Where can be required data can be found and with what time period should the data be related)
➢ Processing and analysis the data
➢ Reporting and finding

Sampling Design

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure adopted in selecting items for the sample. The main constituents of the sampling design below-

➢ Sampling unit
➢ Sample size

Sampling unit

A sampling framework, i.e., developed roe the target population that will be sampled, i.e., who is to be surveyed
* Sample unit taken by me – Balance sheet, profit & loss of the company

Sample size

It is the substantial portions of the largest population that are sampled achieve reliable results.
* Sample size – the last two years, i.e., 2022-2023 to 2023-2024 Balance sheet of the company.
A tool used for calculation – MS-Excel.

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Data collection

The data have been collected from -

➢ Secondary data

Secondary data are those data which have already collected and stored. Secondary data easily get those secondary data from records annual reports of the company, etc. It will save the time, money and to collect the data. The major source of data of this project was collected through annual reports, Balance sheet, Profit & loss account. from 2022-2024 and some more information collected from the internet and text source.

Tools used for Analysis of data

The data were analyzed using the following tools. They are-

➢ Ratio Analysis.

➢ Balance sheet.

CHAPTER -5

INTRODUCTION OF THE TOPIC

BALANCE SHEET

The Balance sheet shows the financial status of a business. The registered companies are to follow part 1 of schedule VI of company 's \ act 1956 for recording Assets and Liabilities in the Balance Sheet.

Format of Balance Sheet as prescribed by companies Act.

Liabilities	Assets
Share Capital	Fixed Assets
Reserve &Surplus	Investments
Secured loans	Current Assets, Loan
Unsecured Loans	Advances
Current Liabilities & provision	Misc. Expenditures & Losses

Liabilities: -

Liabilities defined very broadly represent what the business entity owes to other.

Share capital: -

There are two type of share capital: -

Equity Capital
Preference Capital

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- Equity Capital represents the contribution of the owners of the firm.
- Preference capital represents the contribution of preference shareholders and the dividend rate payable

Reserve & Surplus: -

Reserve & Surplus are profits, which have been retained by the firm reserves, are two types, revenue Reserve and Capital Reserve.

Revenue Reserve represents accumulated retained earnings from the profits of normal business operations. Capital reserve arises out of gains, which are not related to normal business operations.

Surplus is the balance in the profit and loss account, which has not been appropriated to any particular reserve account. Reserve and surplus along with equity capital represent Owner s equity.

Secured Loans: -

These denote borrowings of the firm against which specific securities have been provided. The important components of secured loans are debentures, loans from financial institutions and loans from commercial banks.

Unsecured Loans: -

These are borrowing of the firm against which no specific security has been provided. The major components of unsecured loans are fixed deposits, loans and advances from Promoters, Inter-Corporate borrowings and unsecured loans from Banks.

Current Liabilities and Provision: -

Current Liabilities and Provision as per the classification under the companies Act, Consists of the Following amounts due to the suppliers of goods and services brought on credit, Advance payments received, accrued expenses. Unclaimed dividends, Provisions for taxed, Dividends, Gratuity, Pension etc.

Assets: -
Assets have been acquired at a specific monetary cost by the firm for the conduct of its operation.

Fixed Assets: -

These assets have two characteristics. They are acquired for use over relatively long period for carrying on the operations of the firm and they are ordinarily not meant for resale. Examples for fixed assets are land, building, plant, Machinery, patent & Copyrights.

Investments: -

These are financial securities owned by the firm. Some investments represent long-term commitments of funds. Usually those are the equity shares of other firms held for income and control purpose. Other investments are short term in nature and are rightly classified under current assets for managerial purpose.

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Current Assets, Loans and Advances: -

This category consists of cash and other resources, which get converted into cash during the operating cycle of the firm current assets, are held for a short period of time as against fixed assets, which are held for relatively longer periods. The major component of current Assets are: cash, debtors, inventories, loans and advances and pre-paid expenses.

Miscellaneous expenditure and losses: -

The consist of two items miscellaneous expenditure and losses miscellaneous expenditure represent outlays such as preliminary expenses and pre-operative expenses, which outlays such as preliminary expenses which have not written off loss is shown on the right hand side (Assets side) of the balance sheet.

BALANCE SHEET OF RK ASSOCIATES & HOTELIERS PVT.LTD

BALANCE SHEET AS AT 31.03.2024

PARTICULARS	NOTE	AS AT 31.03.2023	AS AT 31.03.2024	INCREASE/DECREASE	COMPARISION
EQUITY AND LIABILITIES					
A) SHAREHOLDER'S FUNDS					
i) Share Capital	2	117983530	117983530	0	-
ii) Reserves & Surplus	3	946646498	1119453964	172807466	INCREASE
B) NON-CURRENT LIABILITIES				0	
i) Long Term Borrowings	4	782033531	1138857690	356824159	INCREASE
ii) Long Term Provision	5	10397415	14988017	4590602	INCREASE
iii) Other Non- Current Liabilities	6	37802811	38302811	500000	INCREASE
C) CURRENT LIABILITIES.				0	
Short Term Borrowings	7	58829384	334390770	275561386	INCREASE
ii) Trade Payables	8	214418800	469593391	255174591	INCREASE
Other Current Liabilities	9	85139270	337041302	251902032	INCREASE
iv) Short Term Provisions	10	50686514	68385445	17698931	INCREASE
TOTAL		2303937753	3638996919		
ASSETS				0	

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A) NON-CURRENT ASSETS.				0	
i) Property, Plant & Equipment	11	189601699	213789608	24187909	INCREASE
ii) Non-Current Investments	12	335000000	335049000	49000	INCREASE
iii) Long Term Loans & Advances	13	288007449		-288007449	DECREASE
iv) Other Non-Current Assets	14	401142182	390524739	-10617443	DECREASE
v) Deferred Tax Assets	15	3456406	5749398	2292992	INCREASE
B) CURRENT ASSETS				0	
Inventories	16	30541911	243883558	213341647	INCREASE
ii) Trade Receivables	17	169503871	1152514231	983010360	INCREASE
iii) Cash & Bank Balances	18	263689257	352731098	89041841	INCREASE
iv)Other Current Assets	19	622994978	944755287	321760309	INCREASE
SIGNIFICANT ACCOUNTING POLICIES	1			0	
OTHER NOTES ON ACCOUNTS.	28			0	
TOTAL		2303937753	3638996918		

COMPARISION & INTERPRETATION OF THE BALANCE SHEET:

The balance sheet comparison between March 31, 2023 and March 31, 2024 shows a significant increase in both equity and assets. The increase in reserves and surplus resulted in a rise in shareholders' funds. Current liabilities and trade payables went up. On the asset side, inventories, trade receivables, and cash balances showed significant growth. Loans and advances decreased, possibly due to loan settlements or restructuring. The company's financial position is showing expansion but with more debt.

In summary, the company’s liabilities, both current and non-current, have increased significantly, suggesting higher borrowing and operational expenses. However, this has been accompanied by a robust growth in current assets, particularly in receivables and cash balances, which indicates potential revenue growth or better cash management. This overall increase in both assets and liabilities suggests an expanding business, although the rise in borrowings signals greater financial commitments.

RATIO ANALYSIS

Ratio Analysis enables the business owner/manager to spot trends in a business and to compare its performance and condition with the average performance of similar businesses in the same industry. To do this compare your ratios with the average of businesses similar to yours and compare your own ratios for several successive years, watching especially for any unfavourable **trends** that may be starting. Ratio analysis may provide the all-important early warning indications that allow you to solve your business problems before your business is destroyed by them.

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Importance of financial statement analysis in an organization.

In our money-oriented economy, Finance may be defined as provision of money at the time it is needed.
To everyone responsible for provision of funds, it is problem of securing importance to so adjust his resources as to provide for a regular outflow of expenditure in face of an irregular inflow of income.

1. The profit and loss account (Income Statement).
2. The balance sheet

In companies, these are the two statements that have been prescribed and their contents have been also been laid down by law in most countries including India.

There has been increasing emphasis on

(a) Giving information to the shareholder in such a manner as to enable them to grasp it easily.
(b) Giving much more information e.g. funds flow statement, again with a view to facilitating easy understanding and to place a year result in perspective through comparison with post
year results.
(c) The directors report being quite comprehensive to cover the factors that have been operating and are likely to operate in the near future as regards to the various functions of
production, marketing, finance, labour, government policies, environment in general.

Financial statements are being made use of increasingly by parties like Bank, Governments, Institutions, and Financial Analysis etc. The statement should be sufficiently informative so
as to serve as wide a curia as possible.

The financial statement is prepared by accounts based on the activities that take place in production and non-production wings in a factory. The accounts convert activities in monetary terms to the help know the position.

¬ Uses of Financial Statement Analysis.

The main uses of accounting statements for; -

Executives: - To formulate policies.

Bankers: - To establish basis for Granting Loans.

Institutions \ Auditors: - To extend Credit facility to business.

Investors: - To assess the prospects of the business and to know
whether they can get a good return on their investment.

Accountants: - To study the statement for comparative purposes.

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Government Agencies: - To study from an angle of tax collection duty levee etc.
To perform a comprehensive ratio analysis for R.K. Associates & Hoteliers Private Limited based on the Profit & Loss account and Balance Sheet provided, we will calculate the following:

Liquidity ratios: -

Liquidity refers of the ability of a firm to meet its obligation in the short run, usually, one year or when they become duration for payment.

A proper balance between liquidly and profitability is required for efficient Financial Management.

Liquidity ratios are based on the relationship between current assets the sources for meeting short-term obligation and current liabilities.

The ratios, which indicate the liquidity of a firm, are: -
A. Current Ratio.
B. Acid test Ratio
A. Current Ratio.

The current Ratio is the ratio of current liabilities it is calculated as: -

Current ratio $=\frac{\text{Current assets}}{\text{Current Liabilities}}$

The current assets include cash and Bank Balance, Marketable securities, Bills, Receivable, Inventories, Loans and advances, Advances Payment and prepaid expenses.

The current liabilities include creditors, bills payable bank overdraft short-term loans, outstanding expense & income tax payable, unclaimed divided and proposed dividend.

To current ratio measures the ability of the firm to meet its current liabilities. The current assets get converted into cash into the operational cycle of the firm and provide the fund needed to pay current liabilities. The higher the ratio, to ward off.

TABULAR REPRESENTATION :

PARTICULAR	2022-2023	2023-2024
CURRENT ASSESTS	1086730017	2693884174
CURRENT LIABILITES	409073968	1209410908
CURRENT RATIOS	2.65	2.22

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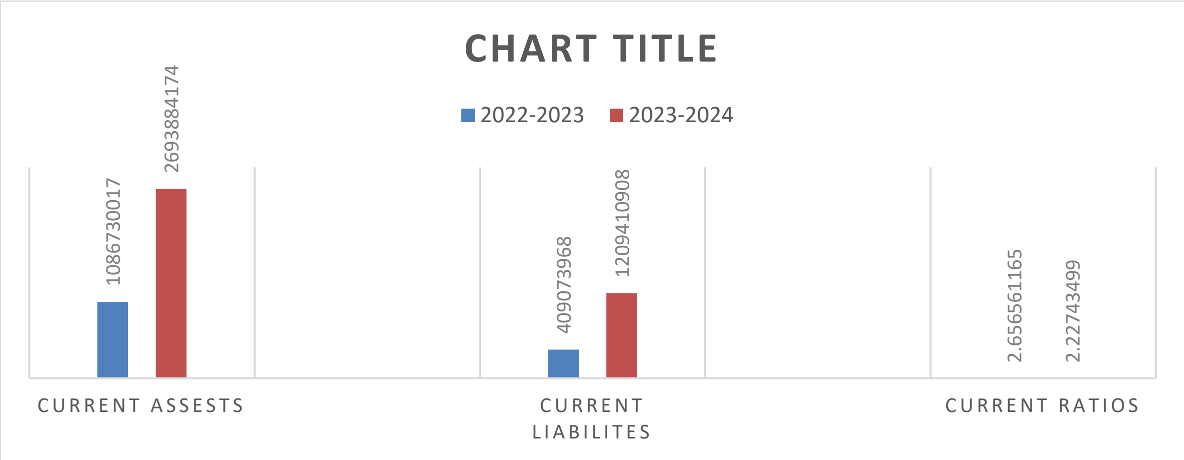
DIAGRAM:



Interpretation:
The **current ratio** measures the company's ability to pay off its short-term liabilities using itscurrent assets. The above ratio indicates that the company has more current assets than liabilities. In 2024, the current ratio decreased to **2.23** from **2.65** in 2023, showing a slight decrease in liquidity. Although the ratio is still above 1, the decline may suggest a slight reduction in the company's ability to cover its short-term obligations, possibly due to a larger increase in liabilities or a slower increase in assets.

B. QUICK RATIO

The Quick Ratio is sometimes called the "acid-test" ratio and is one of the best measures of liquidity. It is figured as shown below:

$$\textbf{QUICK RATIO} = \frac{\textbf{current assets – inventories}}{\textbf{Current liabilities – bank over draft}}$$

The Quick Ratio is a much more exacting measure than the Current Ratio. By excluding inventories, it concentrates on the really liquid assets, with value that is fairly certain. It helps answer the question: "If all sales revenues should disappear, could my business meet its current obligations with the readily convertible `quick' funds on hand

An acid-test of 1:1 is considered satisfactory unless the majority of your "quick assets" are in accounts receivable, and the pattern of accounts receivable collection lags behind the schedule for paying current liabilities

TABULAR REPRESENTATION:

PARTICULAR	2022-23	2023-2024
LIQUID ASSESTS	1086730017	2693884174
LIQUID LIABILITES	409073968	1209410908

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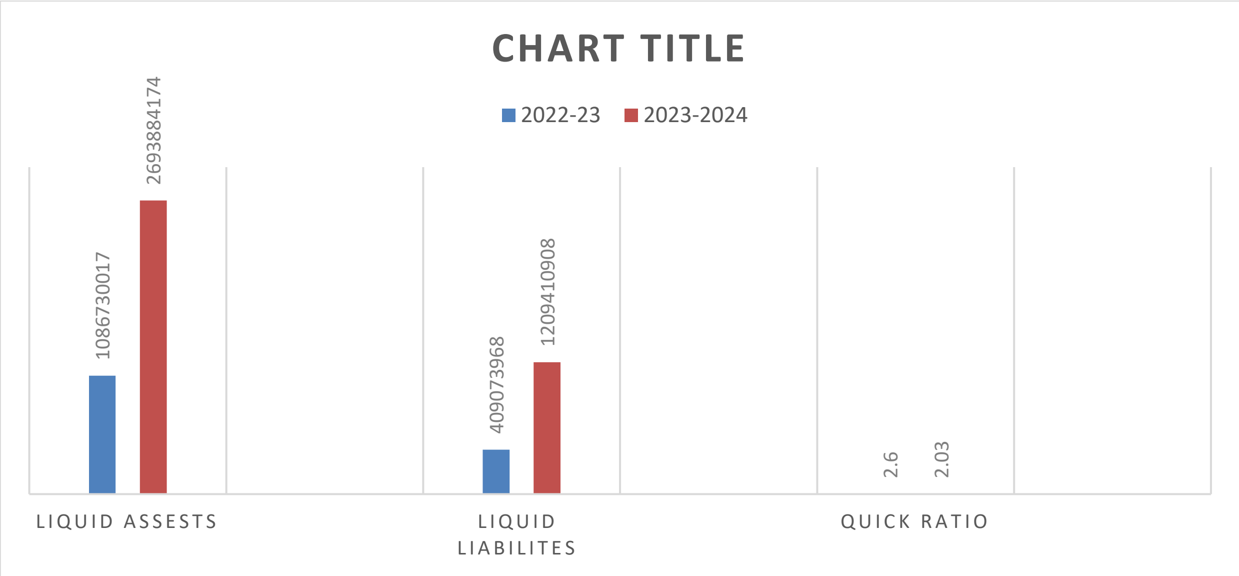
QUICK RATIO	2.6	2.03

DIAGRAM:



Interpretation:
The **quick ratio** is a more stringent measure of liquidity because it excludes inventories, which may not be as easily converted into cash. A ratio above 1 indicates that the company has enough liquid assets to cover its short-term liabilities. The decrease from **2.6** to **2.03** suggests a similar trend as the current ratio. While still above 1, the company has slightly less capacity to meet its short-term obligations without selling inventory.

PROFITABILITY RATIO
A class of financial metrics that are used to assess a business's ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time. For most of these ratios, having a higher value relative to a competitor's ratio or the same ratio from a previous period is indicative that the company is doing well. Some examples of profitability ratios are profiting margin, return on assets and return on equity. It is important to note that a little bit of background knowledge is necessary in order to make relevant comparisons when analysing these ratios.
For instances, some industries experience seasonality in their operations. The retail industry, for example, typically experiences higher revenues and earnings for the Christmas season. Therefore, it would not be too useful to compare a retailer's fourth-quarter profit margin with its first-quarter profit margin. On the other hand, comparing a retailer's fourth-
quarter Proft margin with the profit margin from the same period a year before would be far
more informative.
GROSS PROFIT MARGIN
Gross profit can be defined as the difference between net sales and cost of goods sold.
Gross margin profit ratio is also known as gross margin gross profit margin ratio is calculated by dividing gross profit by sales.
Gross profit margin ratio = gross profit/Net sales

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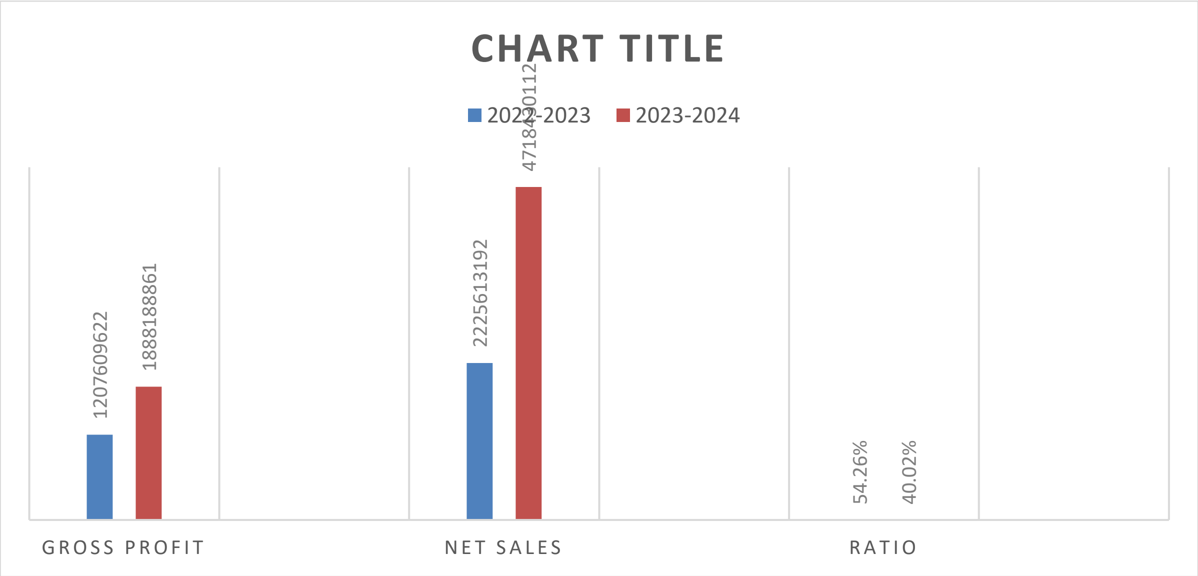
Net sales-cost of goods sold.

The gross profit margin ration shows the margin left after meeting manufacturing cost. The ratio also measures. The efficiency of production as well as pricing. The Gross profit to sales is a sign of good managements as it implies that the cost of production of the firm is relatively low. A high ratio may also imply of a higher sales rise without a corresponding increase in the cost of goods sold.

TABULAR REPRESENTATION:

PARTICULAR	2022-2023	2023-2024
GROSS PROFIT	1207609622	1888188861
NET SALES	2225613192	4718430112
RATIO	54.26%	40.02%

DIAGRAM:



Interpretation:

The gross profit margin has dropped from 54.27% to 40.01%, suggesting that the cost of goods sold (COGS) as a percentage of revenue has increased significantly in 2024. This indicates that the company is either facing higher production or purchase costs, or it has reduced its selling prices without a corresponding decrease in costs. A declining gross profit margin implies that less money is available to cover operating expenses and generate profit.

NET PROFIT MARGIN

The Net Profit Margin Ration determines the between Net profit and sales of business firm. This relationship is also known as net margin. This ratio shows the earning left for shareholder (both equity and preference) as percentage of Net sales.

Net Margin Ratio measures the overall efficiency of production, Administration selling, Financing, pricing and Tase Management.

Thus,

Net profit Margin Ratio:

Net Profit/Net Sales

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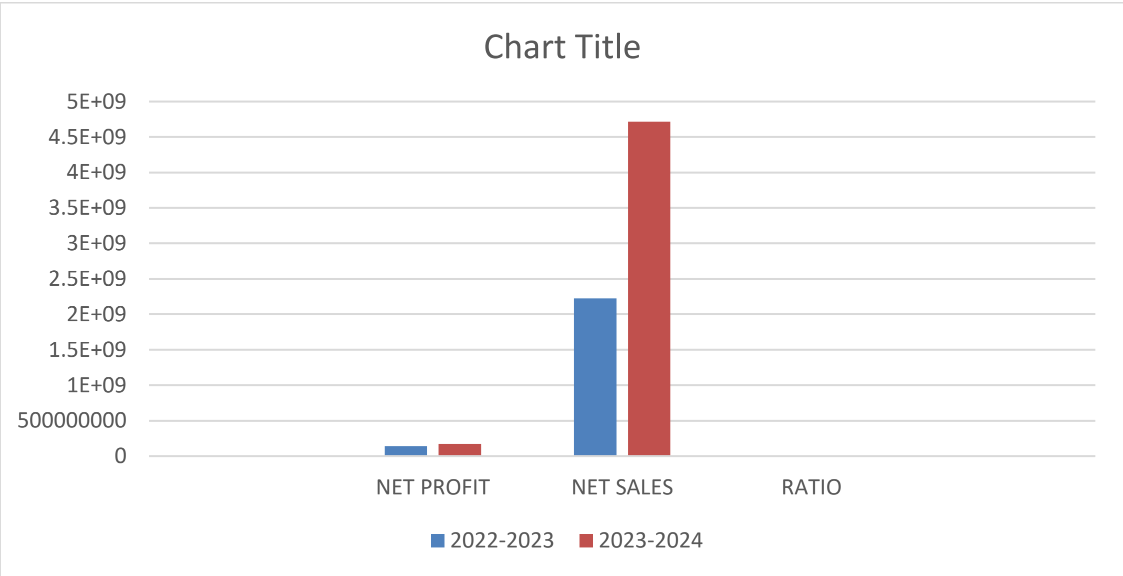
A high Net profit Margin indicates adequate return to the owners as well as enable a firm to withstand adverse economic conditions when selling price is decanting, cost of production is rising and demand for product is falling.
A low Net Profit Margin has opposite implications. A firm with low net profit margin can earn a high rate of return on investment it has a higher inventory turnover.
Jointly considering gross and net profit margin provides a valuable understanding of the cost and profit structure of the firm and enables the analyst to identify the source of business efficiency of inefficiency.

TABULAR REPRESENTATION:

PARTICULAR	2022-2023	2023-2024
NET PROFIT	139562512	172807465
NET SALES	2225613192	4718430112
RATIO	6.27%	3.66%

DIAGRAM:



Interpretation:
The net profit margin has also fallen from 6.27% in 2023 to 3.66% in 2024. This suggests that the company is earning less profit from each rupee of revenue. A lower net profit margin could result from higher operating expenses, increased taxes, or financial costs. This drop indicates that while the company is still profitable, its overall efficiency in converting sales into actual profit has weakened, affecting its bottom line.

EARNING PER SHARE
The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

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Calculated as:

EPS = Net Profit Available to Equity-Holders

Number Of Ordinary Shares Outstanding

When calculating, it is more accurate to use a weighted average number of shares outstanding over the reporting term, because the number of shares outstanding can change over time. However, data sources sometimes simplify the calculation by using the number of shares outstanding at the end of the period.

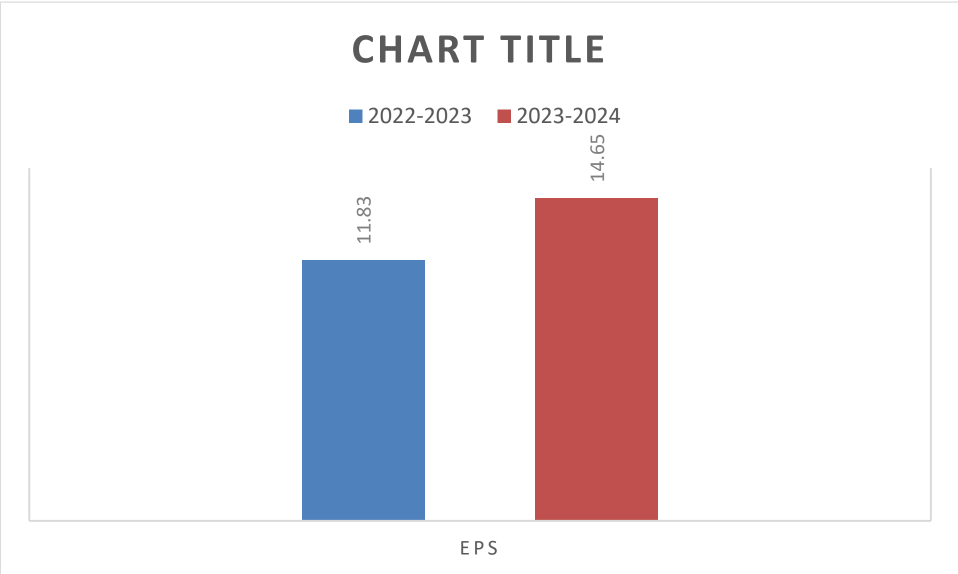
Diluted EPS expands on basic EPS by including the shares of convertibles or warrants outstanding in the outstanding shares number.

Earnings per share are generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

TABULAR REPRESENTATION:

PARTICULAR	2022-2023	2023-2024
EPS	11.83	14.65

DIAGRAM:



Interpretation:

The EPS has increased from ₹11.83 in 2023 to ₹14.65 in 2024, which represents a growth of about 23.85%. This is a positive indicator, suggesting that the company has improved its profitability on a per-share basis. The key reasons for this improvement in EPS could be a combination of higher revenue, better cost management, and possibly higher operational efficiency, as seen in the increase in profit after tax (PAT) during the same period.

LEVERAGE or CAPITAL STRUCTURE RATIO

These ratios refer to the use of debt finance long term solvency of the firm can be examined by using leverage or capital ratios.

The leverage ratio or capital structure ratio can be defined as the financial ratios which throw light on the long-term solvency of a firm reflected in its ability to assure the long-term creditors with regards to.

1. Periodic payment of interest during the period of loan.
2. Repayment of Principe on maturity or in predetermined instalments at due dates

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A. DEBT-EQUITY RATIO

This ratio reflects the relative claims of creditors and shareholders against the assets of the firm, debt equity ratios establishment relationship between borrowed funds and owner capital to measure the long-term financial solvency of the firm. The ratio indicates the relative proportions of debt and equity in financing the assets of the firm.

It is calculated as follows

Debt equity ratio = Debt / Equity

The debts side consist of all liabilities (that include short term and long-term liabilities) of the firm. The equity side consists of new worth (plus) preference capital.The lower the debt equity ratio the higher in the degree of protection enjoyed by the creditors.
The debt equity ratio defined by the controller of capital issue, debt is defined as long term debt plus preference capital which is redeemable before 12 years and equity is defined as paid up equity capital plus preference capital which is redeemable after 12 years.
The general norm for this ratio is 2:1. on case of capital-intensive industries as norms of 4:1 is used for fertilizer and cement industry and a norm of 6:1 is used for shipping units.

TABULAR REPRESENTATION:

PARTICULAR	2022-2023	2023-2024
DEBT	84,08,62,915	1,47,32,48,460
EQUITY	1,06,46,30,028	1,23,74,37,494
DEBT- EQUITY RATIO	0.8	1.2

DIAGRAM

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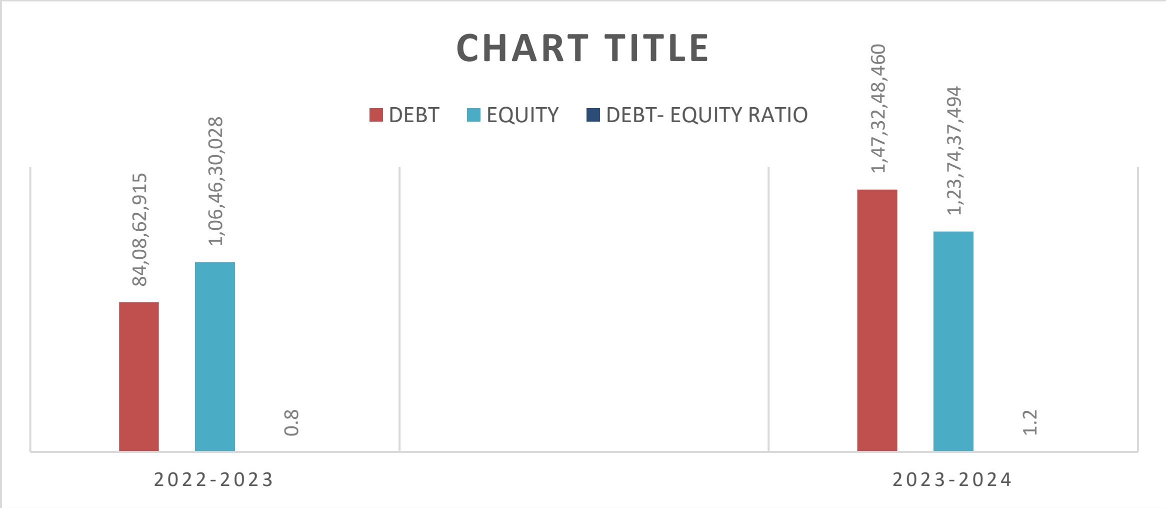

Interpretation:
The debt-to-equity ratio has increased from **0.8** in 2023 to **1.2** in 2024, indicating that the company has taken on more debt relative to its equity. This may suggest increased financial leverage, which could enhance returns but also increases financial risk.

B. DEBT – ASSET RATIO

The debit asset ratio establishes a relationship between borrowed funds and the assets of firm.

It is calculated as:

$$\textbf{Debt Asset Ratio} = \frac{\textbf{Debt}}{\textbf{Asset}}$$

Debt includes all liabilities. Short term as well as long term and the assets include the total of all the assets (the balance sheet total)

TABULAR REPRESENTATION:

PARTICULAR	2022-2023	2023-24
DEBT	84,08,62,915	1,47,32,48,460
ASSETS	2,30,39,37,753	3,63,89,96,918
DEBT -ASSESTS RATIO	0.36	0.40

DIAGRAM:

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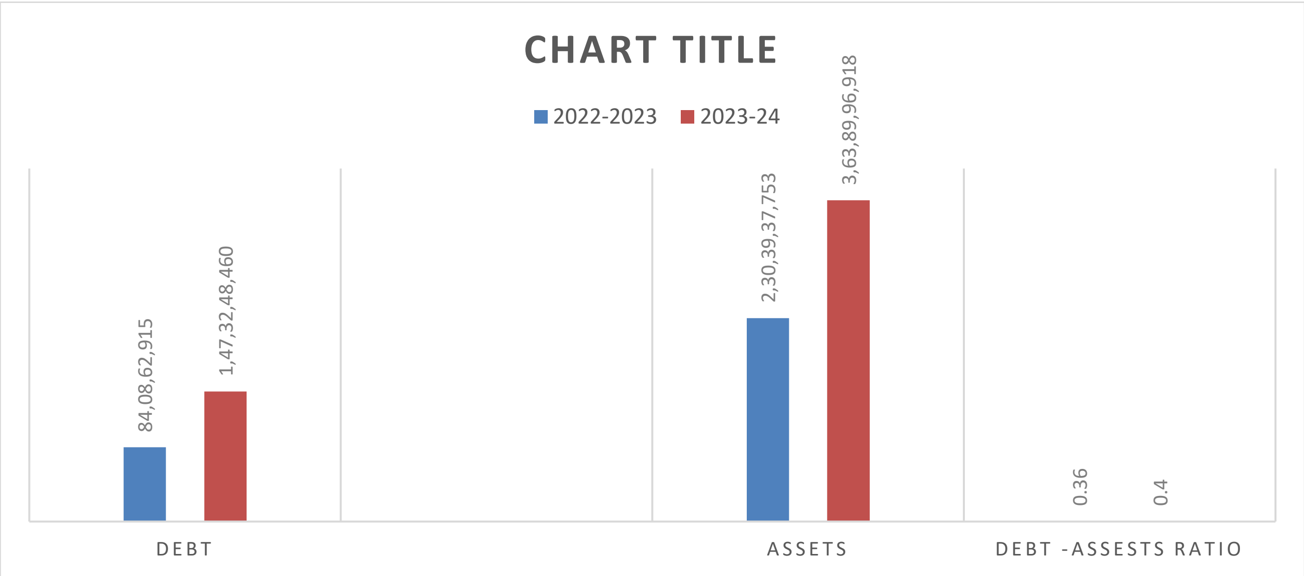

Interpretation:
The increase in the debt-to-assets ratio from **0.36** to **0.40** suggests that the company has become slightly more reliant on debt to finance its assets. This might be a strategic move for growth, but it also introduces more financial risk. It's important to monitor the company's ability to manage and service this debt efficiently to avoid potential liquidity or solvency issues.

C. INTEREST COVERAGE RATIO
This ratio is also known as Time interested Earned ratio This ratio measures the debt servicing of capacity of a firm in so far as fixed interest on long term loan is concerned. Interest coverage ratio determined by dividing the operating profits or earnings before interest and taxes by fixed interest charges on loans.

calculated as

Interests' coverage Ratio = $\frac{\textbf{Earnings Before Interest \&Taxes (EBIT)}}{\textbf{Interest Expense}}$

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The EBIT is used in the numerator of this ratio because the ability of a firm to pay interest is not affected by tax payment as interest on debt fund in a tax-deductible expense.
The ratio apparently measures the margin of safety the firm enjoys with the respect to its interest burden.
A high interest coverage ratio implies that the firm can easily meet its interest burden even if EBIT decline.

A low interest coverage ratio results in financial embarrassment when EBIT declines. This ratio is not appropriate measures of interest coverage because the source of interest payment is cash flow before interest and taxes, not EBIT.

TABULAR REPRESENTATION:

PARTICULAR	2022-2023	2023-2024
EBIT	273428814	1532154484
INTERST EXPENSE	83868820	129387203
Interest coverage ratio	3.26	2.84

DIAGRAM:

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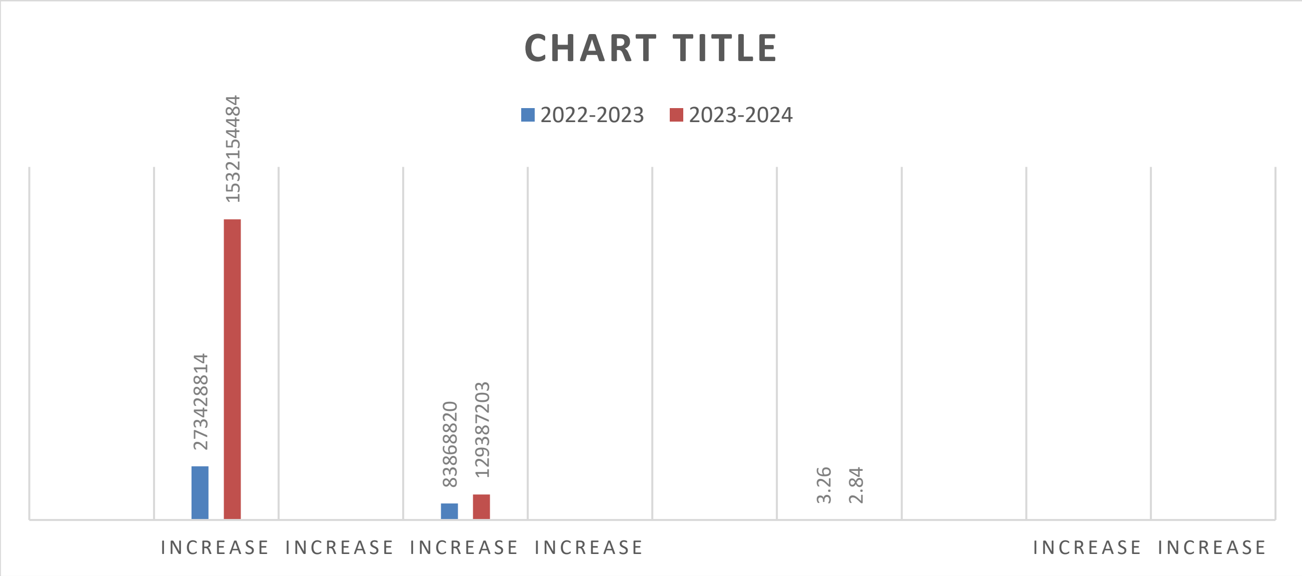

Interpretation

The company's ICR has **decreased** from 3.26 in 2023 to 2.84 in 2024. This suggests that while the company still generates sufficient earnings to cover its interest expenses, its ability to do so has slightly weakened in 2024 compared to the previous year. This could be due to a higher interest expense or a lower EBIT growth relative to interest costs. An ICR above 2.0 is generally considered acceptable, but this can vary by industry. However, a declining trend may signal the need for close monitoring.

OBJECTIVES

Analysis of financial statements is an attempt to assess the efficiency and performance of an enterprise. For that there are some objectives which are described as under.

- **EARNING CAPACITY OR PROFITABILITY**

The overall objective of a business is to earn a satisfactory return on the funds invested in it. Financial analysis helps in ascertaining whether adequate profits are being earned on the capital invested in the business or not. It also helps in knowing the capacity to
pay the interest and dividend.

- **COMPARATIVE POSITION IN RELATION TO OTHER FIRMS**

The purpose of financial statements analysis is to help the management to make a comparative study of the profitability of various firms engaged in similar business. Such comparison also helps the management to study the position of their firm in respect of sales expenses, profitability and using capital. Etc.

- **EFFICIENCY OF MANAGEMENT**

The purpose of financial statement analysis is to know that the financial policies adopted by the management are efficient or not. Analysis also helps the management in preparing budgets by forecasting next year 's profit on the basis of past earnings. It also helps the management to find out shortcomings of the business so that remedial measures can be taken to remove these shortcomings.

- **FINANCIAL STRENGTH**

The purpose of financial analysis is to assess the financial potential of business. Analysis also helps in taking decisions:

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Whether funds required for the purchase of new machinery and equipment's are provided from internal resources of business or not.
How much funds have been raised from external sources.

- **SOLVECNY OF THE FIRM**

The different tools of analysis tell us whether the firm has sufficient funds to meet its short-term and long-term liabilities or not.

IMPORTANCE

Ratio analysis is an important technique of financial analysis. It is a means for judging the financial health of a business enterprise. It determines and interprets the liquidity, solvency, profitability, etc. of a business enterprise.

- It becomes simple to understand various figures in the financial statements through the use of different ratios. Financial ratios simplify, summarise, and systemise the accounting figures presented in financial statements.

- With the help of ratio analysis, comparison of profitability and financial soundness can be made between one industry and another. Similarly, comparison of current year figures can also be made with those of previous years with the help of ratio analysis and if some weak points are located, remedial measures are taken to correct them.

- If accounting ratios are calculated for a number of years, they will reveal the trend of costs, sales, profits and other important facts. Such trends are useful for planning.

- Financial ratios, based on a desired level of activities, can be set as standards for judging actual performance of a business. For example, if owners of a business aim at earning profit @ 25% on the capital which is the prevailing rate of return in the industry then this rate of 25% becomes the standard. The rate of profit of each year is compared with this standard and the actual performance of the business can be judged easily.

- Ratio analysis discloses the position of business with different viewpoint. It discloses the position of business with liquidity viewpoint, solvency view point, profitability viewpoint, etc. with the help of such a study, we can draw conclusion regarding the financial health of business enterprise.

ADVANTAGES

Ratio analysis is an important and age-old technique of financial analysis. The following are
some of the advantages of ratio analysis:

- Simplifies financial statements: It simplifies the comprehension of financial statements. Ratios tell the whole story of changes in the financial condition of the business.
- Facilitates inter-firm comparison: It provides data for inter-firm comparison. Ratios highlight the factors associated with successful and unsuccessful firm. They also reveal strong firms and weak firms, overvalued and undervalued firms.
- Helps in planning: It helps in planning and forecasting. Ratios can assist management, in its basic functions of forecasting. Planning, co-ordination, control and communications.
- Makes inter-firm comparison possible: Ratios analysis also makes possible comparison of the performance of different divisions of the firm. The ratios are helpful in deciding about their efficiency or otherwise in the past and likely performance in the future.
- Help in investment decisions: It helps in investment decisions in the case of investors and lending decisions in the case of bankers etc.

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LIMITATIONS

The ratios analysis is one of the most powerful tools of financial management. Though ratios are simple to calculate and easy to understand, they suffer from serious limitations.

- Limitations of financial statements: Ratios are based only on the information which has been recorded in the financial statements. Financial statements themselves are subject to several limitations. Thus, ratios derived, there from, are also subject to those limitations. For example, non-financial changes though important for the business are not relevant by the financial statements. Financial statements are affected to a very great extent by accounting conventions and concepts. Personal judgment plays a great part in determining the figures for financial statements.
- Comparative study required: Ratios are useful in judging the efficiency of the business only when they are compared with past results of the business. However, such a comparison only provides glimpse of the past performance and forecasts for future may not prove correct since several other factors like market conditions, management policies, etc. may affect the future operations.
- Problems of price level changes: A change in price level can affect the validity of ratios calculated for different time periods. In such a case the ratio analysis may not clearly indicate the trend in solvency and profitability of the company. The financial statements, therefore, be adjusted keeping in view the price level changes if a meaningful comparison is to be made through accounting ratios.
- Lack of adequate standard: No fixed standard can be laid down for ideal ratios. There are no well accepted standards or rule of thumb for all ratios which can be accepted as norm. It renders interpretation of the ratios difficult.

- Limited use of single ratios: A single ratio, usually, does not convey much of a sense. To make a better interpretation, a number of ratios have to be calculated which is likely to confuse the analyst than help him in making any good decision.

- Personal bias: Ratios are only means of financial analysis and not an end in itself. Ratios have to interpret and different people may interpret the same ratio in different way.
- Incomparable: Not only industries differ in their nature, but also the firms of the similar business widely differs in their size and accounting procedures etc. It makes comparison of ratios difficult and misleading.

CONCLUSION

- Ratios make the related information comparable. A single figure by itself has no meaning, but when expressed in terms of a related figure, it yields significant interferences. Thus, ratios are relative figures reflecting the relationship between related variables. Their use as tools of financial analysis involves their comparison as single ratios, like absolute figures, are not of much use.
- Ratio analysis has a major significance in analysing the financial performance of a company over a period of time. Decisions affecting product prices, per unit costs, volume or efficiency have an impact on the profit margin or turnover ratios of a company.
- Financial ratios are essentially concerned with the identification of significant accounting data relationships, which give the decision-maker insights into the financial performance of a company
- The analysis of financial statements is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance.
- The first task of financial analyst is to select the information relevant to the decision under consideration from the total information contained in the BALANCE SHEET & P&L ACCOUNT. The second step is to arrange the

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information in a way to highlight significant relationships. The final step is interpretation and drawing of inferences and conclusions. In brief, financial analysis is the process of selection, relation and evaluation.

- Ratio analysis in view of its several limitations should be considered only as a tool for analysis rather than as an end in itself. The reliability and significance attached to ratios will largely hinge upon the quality of data on which they are based. They are as good or as bad as the data itself. Nevertheless, they are an important tool of financial analysis

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