

Performance Evaluation With The Help Of Ratio Analysis

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ABSTRACT:

The project is about "performance Evaluation of Sumeet Facilities Limited with the Help of Ratio Analysis" I have worked for two months in Sumeet Facilities LTD. It is a facility management company. Analysis of Financial statement is more objective way to examine the financial performance as well as operational performance of a company. Financial study includes analyzing the leverage, profitability; operating proficiency and solvency for an organization. Financial ratio analysis is the significant procedure to conduct the investigation. Ratio analysis is a most important technique of reviewing and analyzing a company's accounting reports i.e. financial statements like P&L A/C, for performance evaluation of the company. Ratio analysis is helpful measure its past, current or expected future performance of the company. Therefore, the main reason of ratio analysis is to use info about the firm to forecast how it will fare in the future.

INTRODUCTION:

Ratio analysis is the tool or method of analyzing and offering the relationship of things and group of things in the reports. Ratio can help the management in its various functions of predicting, planning synchronization, regulation and announcement. The core reason of ratio analysis is to forecast how company will perform in the future. Another reason of analysis is to recognize the possible problem areas and solve this problem.

REVIEW OF LITERATURE:

- **N. SABARISUDHA(2011-13):** The author study of financial performance evaluation by ratio analysis at VYSYA Bank project report submitted to university of madras. In which author uses various ratios to evaluate the financial performance as well as operational performance of the bank.

- **GAYATRIDEVI (2007):** In the project of Gayatridevi, titled “A STUDY OF FINANCIAL PERFORMANCE BY RATIO ANALYSIS AT EMAMI LTD.” This object to examine the profitability position of the business by the ratio analysis tool.

PURPOSE OF THE STUDY:

- To recognize the operational and financial strength and weakness or position of the business.
- To assessing firm's financial and operational efficiency linking to its financial statement examination.
- To analyze the profitability and liquidity of the business with the assistance of net profit ratio, gross profit ratio and operating ratio.
- To recognize the liquidity position of the business with the use of current ratio
- To assess the working proficiency of the firm.

RESEARCH METHODOLOGY:

TYPE OF RESEARCH USED:

DESCRIPTIVE RESEARCH:

Type of research is used for this project is Descriptive research. Descriptive research is defines the characteristic of the population or phenomenon, that is begin examined. This methodology focus on what of the research subject rather than the why of the research subject.

SOURCES OF DATA:

Secondary data highlights the background understandings for primary data collection. It provides rich understandings into the research process.

Secondary data is collected with the help of following sources:

- Profit and Loss accounts statements. (P&L A/C)
- Balance sheet (assets and liabilities)

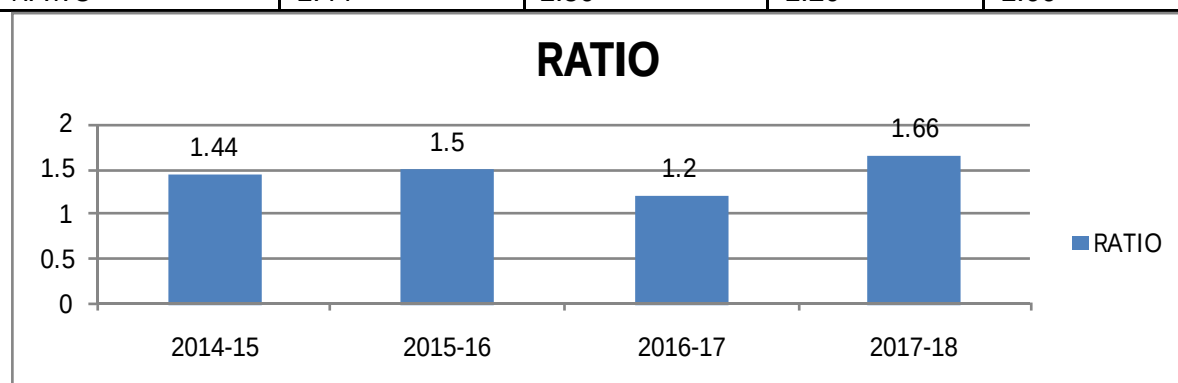
DATA ANALYSIS AND INTERPRETATION

(A) LIQUIDITY RATIO:-

1) CURRENT RATIO –

$$\text{CURRENT RATIO} = \text{CURRENT ASSETS} / \text{CURRENT LIABILITIES}$$

PARTICULARS	2014-2015	2015-2016	2016-2017	2017-2018
CURRENT ASSETS	17,17,30,594	29,21,31,647	26,22,75,379	48,72,48,474
CURRENT LIABILITIES	11,92,57,441	19,49,77,829	21,76,70,278	29,30,24,914
RATIO	1.44	1.50	1.20	1.66

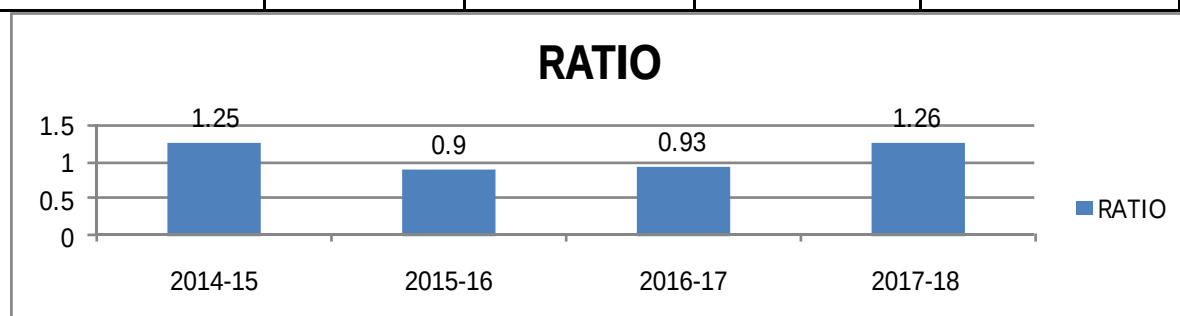
**INTERPRETATION:**

An above tabular and graphical presentation shows proportion of current assets and current liabilities. In year the 2014-2015, the ratio is 1.44, in the year 2015-2016 the ratio is 1.5, in the year 2016-2017 the ratio is 1.2 and in the year 2017-2018, the ratio is 1.66.

In year 2017-2018 the ratio is higher as associated to previous years i.e. 1.66 and in year 2016-2017 the ratio is low as compared to these years. But in the following year 2017-2018 the ratio is improved up to 1.66. Current ratio above or greater 1 indicates that the company is having higher assets as compared to liabilities.

2) ACID TEST RATIO:**ACID TEST RATIO = QUICK ASSETS / CURRENT LIABILITIES**

PARTICULARS	2014-2015	2015-2016	2016-2017	2017-2018
QUICK ASSETS	14,87,76,981	17,56,06,159	20,20,79,396	36,67,65,562
QUICK LIABILITIES	11,92,57,441	19,49,77,829	21,76,70,278	29,30,24,914
RATIO	1.25	0.90	0.93	1.26



INTERPRETATION:

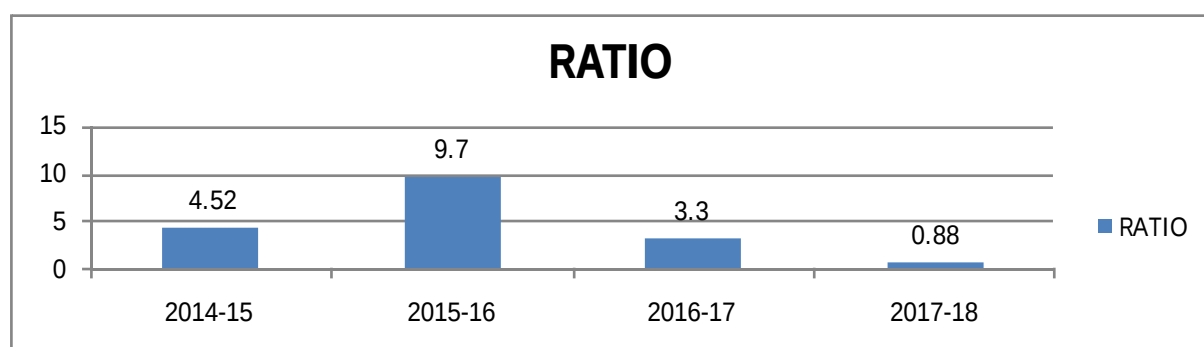
An above tabular and graphical presentation shows proportion of quick assets and quick liabilities. In the year 2014-2015 the ratio is 1.25, in the year 2015-2016 the ratio is 0.9, in year the 2016-2017 the ratio is 0.93 and in the year 2017-2018 the ratio is higher i.e. 1.26.

In the year 2017-2018 the ratio is higher as associated to previous years, and in year 2015-2016 the ratio is low compared to years. Higher quick ratio or greater than 1 quick ratio indicates that quick assets are more than quick liabilities.

(B) LEVERAGE RATIO:-**1) DEBT TO EQUITY RATIO**

DEBT TO EQUITY RATIO = DEBT CAPITAL / TOTAL EQUITY

PARTICULARS	2014-2015	2015-2016	2016-2017	2017-2018
DEBT CAPITAL	2,25,79,091	5,43,60,365	4,61,26,499	7,65,15,428
EQUITY	50,00,000	55,87,340	1,39,68,350	8,69,49,090
RATIO	4.52	9.7	3.30	0.88

**INTERPRETATION:**

An above tabulation and graphical demonstration displays the ratio of debt capital and equity capital. In the year 2014-2015 the ratio is 4.52, in the year 2015-2016 the ratio is 9.7, in the year 2016-2017 the ratio is 3.3 and in the year 2017-2018 the ratio is 0.88.

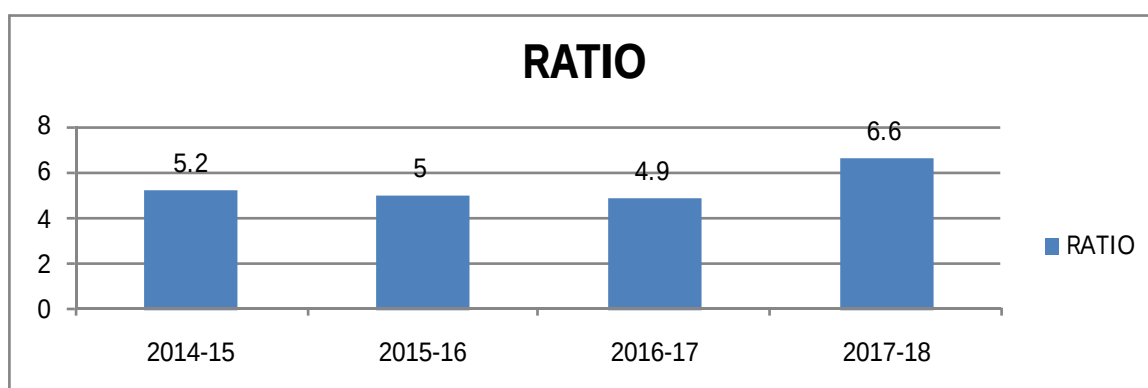
In the year 2015-2016 the ratio higher i.e. 9.7 greater debt to equity ratio shows that the company is highly depends on debt capital. A greater debt to equity ratio shows that additional creditor financing is used than investor financing. But in 2017-2018 debt to equity ratio lesser it means in this year company used higher equity capital.

(C) PROFITABILITY RATIO:

1) GROSS PROFIT RATIO

$$\text{GROSS PROFIT RATIO} = \text{GROSS PROFIT} / \text{SALES} * 100$$

PARTICULARS	2014-2015	2015-2016	2016-2017	2017-2018
GROSS PROFIT	3,00,47,369	3,51,73,888	4,50,96,783	7,37,53,609
SALES	57,35,64,036	70,27,38,022	90,63,08,004	1,11,02,84,164
RATIO	5.2	5.0	4.9	6.6

**INTERPRETATION:**

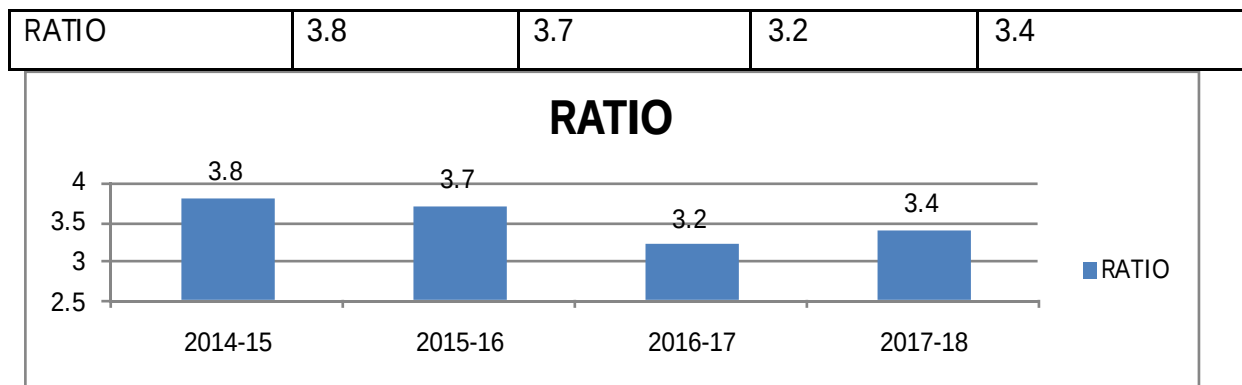
In above tabulation and graphical representation there is proportion of gross profit and net sales. In the year 2014-2015 the ratio is 5.2, in 2015-2016 the ratio is 5, in 2016-2017 the ratio is 4.9 and in 2017-2018 the ratio is 6.6. In 2017-2018 the ratio is greater i.e. 6.6, in year 2016-2017 the ratio is lesser i.e. 4.9.

Above graphical presentation shows that the gross profit is fluctuating from last three years. Overall gross profit ratio is not at a standard margin.

1. NET PROFIT RATIO:

$$\text{NET PROFIT RATIO} = \text{NET PROFIT} / \text{SALES} * 100$$

PARTICULARS	2014-2015	2015-2016	2016-2017	2017-2018
NET PROFIT	2,17,83,577	2,57,29,909	2,88,63,649	6,01,50,129
SALES	57,35,64,036	70,27,38,022	90,63,08,004	1,11,02,84,164

**INTERPRETATION:-**

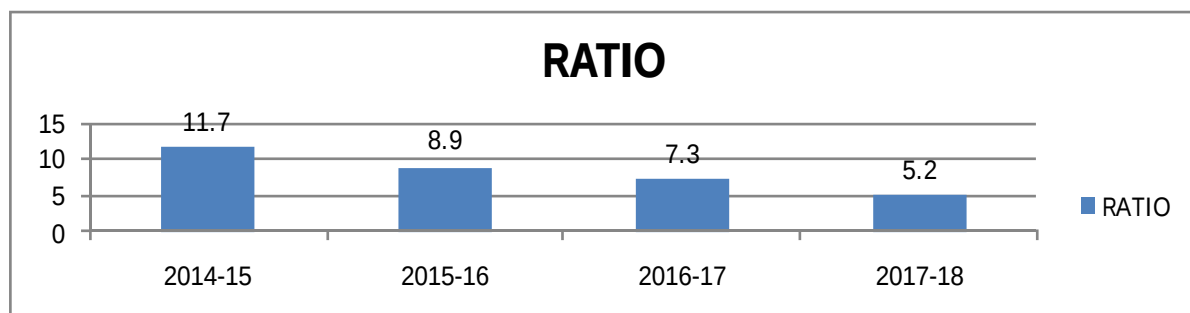
As above tabulation and graphical presentation shows proportion of net profit and sales. In the year 2014-15 the ratio is 3.8, in the year 2015-16 the ratio is 3.7, in the year 2016-17 the ratio is 3.2 and in the year 2017-2018 the ratio is 3.4.

Above graphical demonstration displays that the net profit is fluctuating from 2014 to 2018.

2) OPERATING RATIO :-

$$\text{OPERATING RATIO} = \text{OPERATING EXPENSES} / \text{SALES} * 100$$

PARTICULARS	2014-2015	2015-2016	2016-2017	2017-2018
OPERATING EXP.	6,71,26,511	6,23,35,908	6,58,92,693	5,76,40,653
SALES	57,35,64,036	70,27,38,022	90,63,08,004	1,11,02,84,164
RATIO	11.70	8.9	7.3	5.2

**INTERPRETATION:**

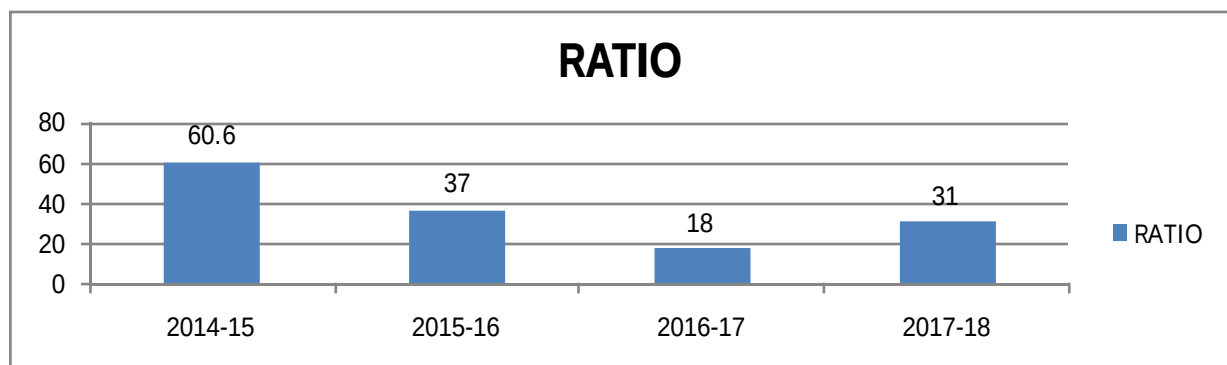
An above tabulation and graphical presentation is the proportion of operating expenses and net sales multiply by 100. In the year 2014-2015 the operating ratio is 11.7, in the year 2015-2016 ratio is 8.9, in the year 2016-2017 the ratio is 7.3 and in the year 2017-2018 the ratio is 5.2.

A lower operating is the good indicator of operational efficiency. In this company the operating ratio is not higher which at satisfactory level. This ratio indicates that the company is having satisfactory operating efficiency

3) RETURN ON INVESTMENT RATIO:

$$\text{RETURN ON INVESTMENT} = \text{NET PROFIT} / \text{INVESTMENT} * 100$$

PARTICULARS	2014-2015	2015-2016	2016-2017	2017-2018
NET PROFIT	2,17,83,577	2,57,29,909	2,88,63,649	6,01,50,129
INVESTMENT	3,58,90,745	7,03,83,589	15,74,30,538	19,42,28,217
RATIO	60.6	37	18	31

**INTERPRETATION:**

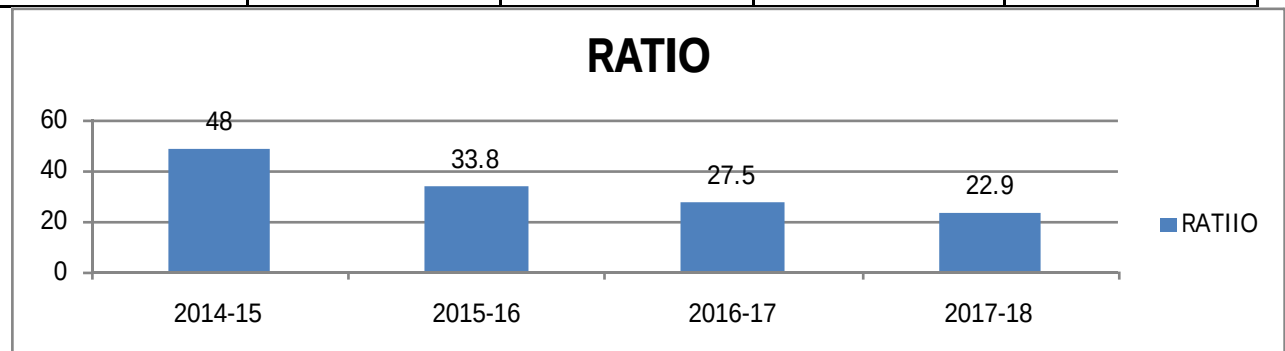
An above tabulation and graphical presentation is the proportion of net profit and net investment multiply by 100. The return on investment in the year 2014-2015 is 60%, in the year 2015-2016 is 37 %, in the year 2016-2017 is 18 % and in the year 2017-2018 is 31 %.

In the year 2016-2017 the return on investment is lower i.e. 31 % as compared to other years. And in the 2014-2015 the return on investment is higher i.e. 60 % as compared to other years. But overall return on investment ratio is beyond the standard level.

4) RETURN ON NET WORTH RATIO:

RETURN ON NET WORTH = NET PROFIT / NET WORTH *100

PARTICULARS	2014-2015	2015-2016	2016-2017	2017-2018
NET PROFIT	2,17,83,577	2,57,29,909	2,88,63,649	6,01,50,129
NET WORTH	4,49,61,059	7,59,77,028	10,48,40,677	26,18,84,108
RATIO	48	33.80	27.5	22.9

**INTERPRETATION:**

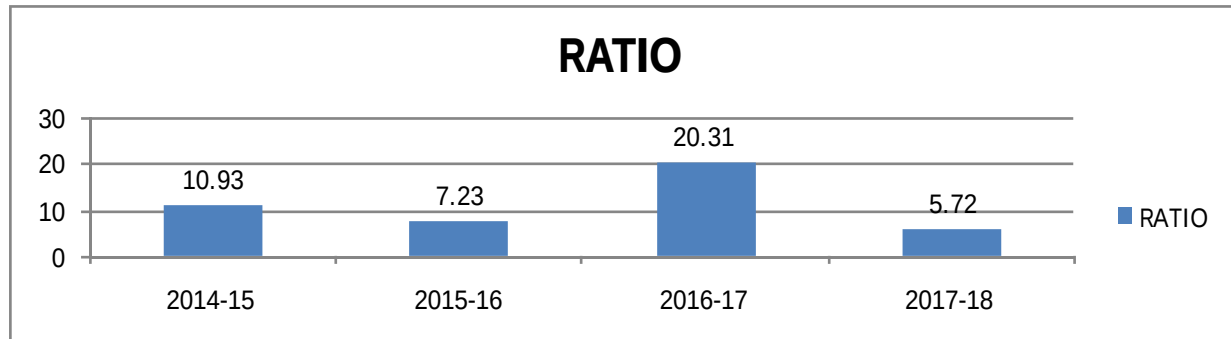
An above tabulation and graphical presentation is the proportion of net profit and net worth multiply by 100. In the year 2014-2015 the net worth ratio is 48, in the year 2015-2016 the ratio is 33.8, in the year 2016-2017 the ratio is 27.5 and the year 2017-2018 the ratio is 22.9.

Generally, a minimum 15% return on net worth indicates better valuation and profitable stock. But in this company the return on net worth in the year 2014-2015 is higher as compared to other years. Overall company's return on net worth is at satisfactory level.

(D) ACTIVITY RATIO:**1) WORKING CAPITAL TURNOVER RATIO:****WORKING CAPITAL TURNOVER RATIO = NET SALES / WORKING CAPITAL**

PARTICULARS	2014-2015	2015-2016	2016-2017	2017-2018
NET SALES	2,17,83,577	2,57,29,909	2,88,63,649	6,01,50,129
WORKING CAPITAL	5,24,73,153	9,71,53,818	4,46,05,101	11,42,23,560

RATIO	10.93	7.23	20.31	5.72
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**INTERPRETATION:**

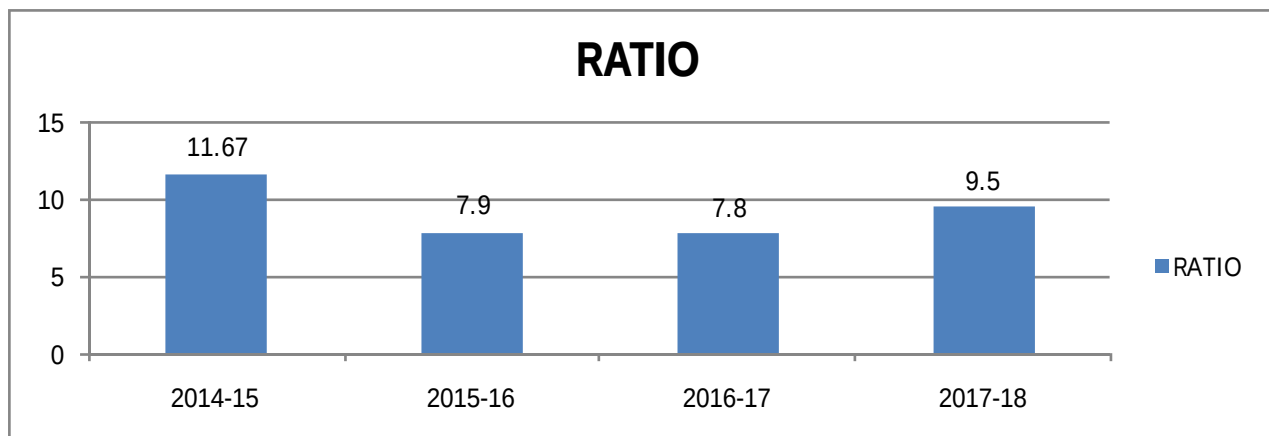
An above tabulation and graphical presentation is the proportion of net sales and working. In the year 2014-2015 the working capital ratio is 10.93, in the year 2015-2016 the ratio is 7.23, in the year 2016-2017 the ratio is 21.31 and in the year 2017-2018 the ratio is 5.72. In the year 2016-2017 the ratio is higher i.e. 21.31 as compared to other years and in the year 2017-2018 the ratio is lower i.e. 5.72.

This is having higher working capital ratio this indicates that the firm is having liquidity issue in future. The company's working capital ratio is at a satisfactory level.

2) RETURN ON ASSET TURNOVER RATIO:

RETURN ON ASSET TURNOVER RATIO = NET PROFIT / TOTAL ASSETS*100

PARTICULARS	2014-2015	2015-2016	2016-2017	2017-2018
NET PROFIT	2,17,83,577	2,57,29,909	2,88,63,649	6,01,50,129
TOTAL ASSETS	18,67,97,591	32,53,15,221	36,86,37,454	63,14,24,450
RATIO	11.67	7.9	7.8	9.5

**INTERPRETATION:**

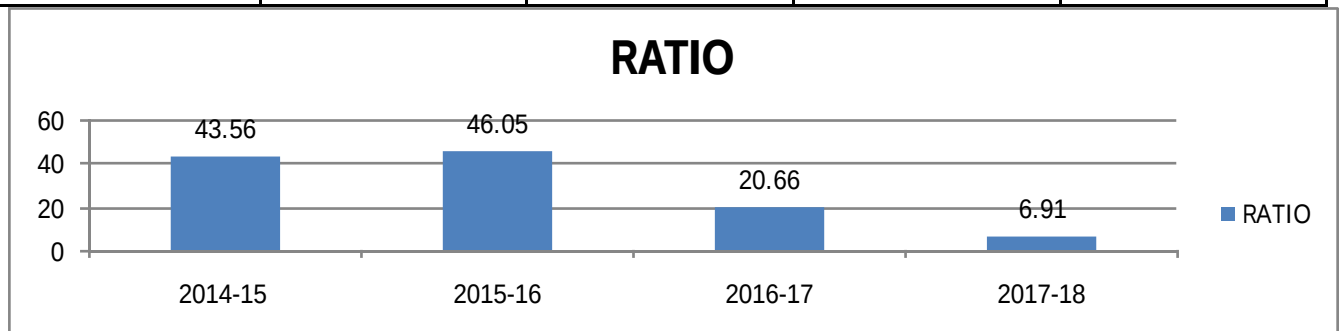
An above tabulation and graphical presentation is the proportion of net profit and total assets multiply by 100. In the year 2014-2015 the return on asset turnover ratio is 11.67, in the 2015-2016 the ratio is 7.9, in the year 2016-2017 the ratio is 7.8 and in the year 2017-2018 the ratio is 9.5

The higher asset turnover is always best. In this company the assets turnover ratio much satisfactory level. In the year 2014-2015 the asset turnover ratio is higher i.e. 11.67.

(D) MARKET VALUE RATIO:**1) EARNING PER SHARE RATIO**

EARNING PER SHARE = NET PROFIT / NO. OF EQUITY SHARES

PARTICULARS	2014-2015	2015-2016	2016-2017	2017-2018
NET PROFIT	2,17,83,577	2,57,29,909	2,88,63,649	6,01,50,129
NUMBER OF EQUITY SHARES	5,00,000	55,87,340	13,96,835	86,94,909
RATIO	43.56	46.05	20.66	6.91



INTERPRETATION:

An above tabulation and graphical presentation is the proportion of net profit and number of equity shares. In the year 2014-2015 the earning per share is 43.56, in the year 2015-2016 the EPS is 46.05, in the year 2016-2017 the EPS is 20.66 and in the year 2017-2018 the EPS is 6.91

In the year 2015-2016 the EPS is higher i.e. 46.05 and in the year 2017-2018 the EPS is lower i.e. 6.91

FINDINGS:

- 1) Sumeet facilities Ltd. Has current ratio bigger than one it specifies that the firm is having current assets higher than current liabilities.
- 2) Company's acid test ratio is also bigger than one it indicates that the business is having quick assets higher than quick liabilities
- 3) Debt to equity ratio is higher in the year 2015-16 it indicates that the company uses more creditor financing than investor financing.
- 4) Company's net profit ratio and gross profit ratio is at a satisfactory level it shows that the satisfactory financial position of the company.
- 5) Company's working capital ratio is higher it shows that the business will not have financial issue in future course of action.
- 6) Company's earnings per share decreases from 2014-15 to 2017-18 as increases in number of shares.

CONCLUSION:

- 1) Company is having assets more than liabilities therefore current ratio and acid test ratio is greater than one.
- 2) Overall financial position and performance of the company is satisfactory.
- 3) Company's working capital ratio indicates that company will not have liquidity problem in future course of action.
- 4) Company's usage of equity capital increases from 2014-15 to 2017-18 which result in decrease in earnings per share.

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