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A Comparative Study on Suppliers and That Client Companies with Respective to The Ratio Analysis Management Towards Exide Industries Limited at Hosur

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Abstract. *Ratio Analysis was the process of determining the significance of operating and financial characteristic of the firm's financial data. The goal of financial management is to determine the effectiveness and efficiency of the company as reflected in the financial records and reports. Ratio Analysis disclosing status of investments is known as balance sheet and the statement showing the results is known as profit and loss account. This title of the project is "A Comparative Study On Suppliers And That Client Companies With Respective To The Ratio Analysis Management Towards Exide Industries Limited At Hosur". The entire study is based on secondary data. The secondary data were collected from books, journals, and published annual reports. Collected data has been analyzed using Analytical Research Method. The study covers a period of five years starting from 2018-2022. The tools used for this study were ratio analysis and trend analysis. Hence an attempt had been made in this study to analysis the financial position of the company especially regarding its liquidity and efficiency profitability position and provides valuable suggestions orimprovement.*
Keywords: *Ratio Analysis, Investment, Financial records, Trend analysis, Balance sheet*

1. INTRODUCTION

Financial Management is the specific area of finance dealing with the financial decision corporations make, and the tools and analysis used to make the decisions. The discipline as a whole may be divided between long-term and short-term decisions and techniques. Both share the same goal of enhancing firm value by ensuring that return on capital exceeds cost of capital, without taking excessive financial risks. Objectives of the Study: The main objective of the study is to test the liquidity, turnover, return, profitability, and shareholder and leverage ratio of a concern. To analyze and evaluate the ratio analysis of Exide Batteries. To study the profitability and liquidity position of the organization. To study the growth of the Exide Batteries for the past five years from 2018 to 2022. To make suggestions & recommendations for improving the financial position of Exide Batteries. Scope of the Study: The study has great significance and provides benefits to various parties whom directly or indirectly interact with the company. It is beneficial to management of the company by providing crystal clear picture regarding important aspects like liquidity, turnover, shareholder and profitability. The study is also beneficial to employees and offers motivation by showing how actively they are contributing for company's growth. The investors who are interested in investing in the company's shares will also get benefited by going through the study and can easily take a decision whether to invest or not to invest in the company's shares.

2. REVIEW OF LITERATURE

Collis and Jarvis (2016), on financial performance of small private companies in the U.K., the most useful sources of information are the periodic management account (ie. the balance sheet and income statement), cash flow information and bank statements (of course bank statement are another form of cash flow information but generated externally) (Collis, 2012) suggest is critical to the success and survival of a small business. Horrigan, J.O. (2015), explains that the profitability ratios group, also known as performance ratios, assesses the company ability to earn profits on sales, assets and equity, it measures the return earned on a company's capital and the financial cushion relative to each. Horrigan (2019), the Financial Operation Ratios group which is sometimes called asset management ratios, measure the efficiency with which a firm manages and controls its assets (utilizing its capital) in generating sales and earnings. Investors can use these in order to analyse a company's or management's ability to efficiently use resources and how effective it converts its purchases and inventory to sales and then its sales to cash.

3. REASEARCH METHODOLOGY

The company's survival and growth depends on its performance. Finance reports are prepared quarterly, half yearly and annually by the company, by using various financial tools and techniques, are trend analysis, ratio analysis, and comparative balance sheet. These reports of the company help in evaluating the performance and the direction in which the company is moving. Current Ratio: The current ratio is the ratio of total current assets to total current liabilities. It’s calculated. by divided current assets by current liabilities. The current assets of a firm, as already stated, represent that asset which can be, in the ordinary course of business, converted into cash within a short period of time normally not exceeding one year.

Current Ratio = Current assets/Current liabilities

TABLE 1. Current ratio

Current ratio			
Year	**current assets**	**current liabilities**	**ratio**
2017-18	3,251.97	1,813.64	1.793
2018-19	3,471.97	1,958.08	1.773
2019-20	5,409.95	3,251.55	1.663
2020-21	4,394.89	2,314.85	1.898
2021-22	4,722.55	2,398.23	1.969

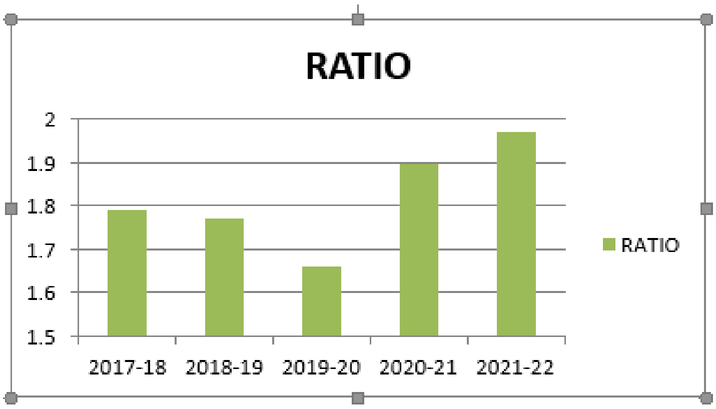

FIGURE 1. Ratio

Interpretation: A higher current ratio is an indication that more current assets are available to meet current liabilities. This shows the current ratio of the company is quite satisfactory, healthy sign for the company and the company has to utilize efficient funds. Quick Ratio: An indicator of a company’s short-term liquidity. The quick ratio measures a company’s ability to meet its short-term obligations with its most liquid assets. For this reason, the ratio excludes inventories from current assets, and is calculated as follows:

$$\text{Quick ratio} = \frac{\text{Current assets} - \text{inventories}}{\text{Current liabilities}}$$

$$= \frac{(\text{Cash and equivalents} + \text{marketable securities} + \text{accounts receivable})}{\text{Current liabilities}}$$

TABLE 2. Quick ratio

Quick ratio			
Year	**quick assets**	**current liabilities**	**ratio**
2017-18	1,491.82	1,813.64	0.822
2018-19	1,668.00	1,958.08	0.851
2019-20	1,147.23	3,251.55	0.352
2020-21	2,048.7	2,314.85	0.885
2021-22	2,264.07	2,398.23	0.944

Interpretation: From the above analysis the quick ratio of the company is not satisfactory and shows company is investing properly in quick assets which indicate inefficiency in its management policy. The standard quick ratio is 1:1 is the investment in quick assets and liabilities. The company is facing short term financial crises. Inventory Turnover Ratio: This ratio indicates the number of times the inventory has been converted into sales during the period. Thus, it evaluates the efficiency of the firm in managing its inventory. It is calculated by dividing the cost of goods sold by average inventory.

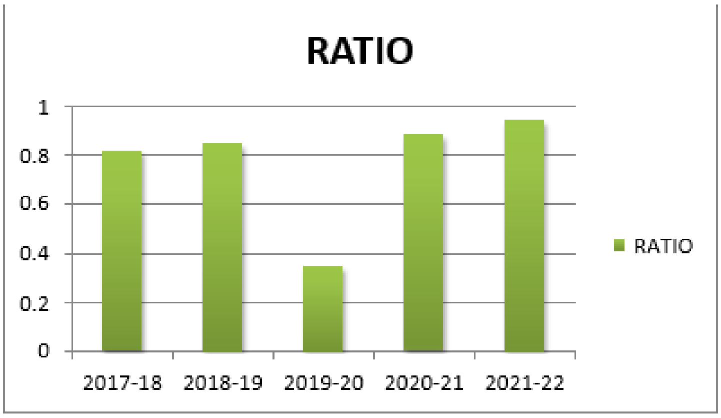

FIGURE 2. Inventory Turnover Ratio

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of goods sold}}{\text{Average Inventory}}$$

The average inventory is simple average of the opening and closing balances of inventory. (Opening + Closing balances / 2). In certain circumstances opening balance of the inventory may not be known then closing balance of inventory may be considered as average inventory.

TABLE 3. Inventory turn over ratio

Inventory turn over ratio			
Year	**cost of goods sold**	**inventory**	**ratio**
2017-18	6,084.94	1,643.76	3.701
2018-19	7,076.22	1,782.06	3.970
2019-20	6,567.39	1,998.12	3.286
2020-21	6,645.50	2,269.23	2.928
2021-22	8,882.49	2,402.33	3.697

4. FINDINGS & SUGGESTIONS

The only organization in the world manufacturing all types of lead acid batteries. Exide is a super brand and having wide distribution network. The company is providing the necessary welfare facilities for the employees in comport zone and increasing the relation level of the company. The company can invest more in current assets to meet the available current liabilities. The company should try to improve the liquid ratio to the standard ratio 1:1 by reducingthe current liabilities. The company can increase their net profit by reducing the operating and other expenses.

5. CONCLUSION

The study is done on the ratio analysis at Exide industries limited. Exide industry is a largest battery manufacturer. Exide is a super brand and it has wide distribution network. The companyis having good control over the current liabilities as its current ratio is almost equal to the standard ratio.

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