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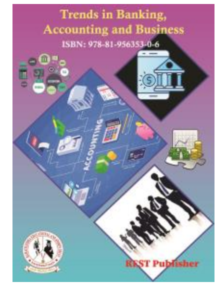

A Compartive Study on Suppliers and Clients with Respective to The Ratio Analysis on Pinnacle Engineering Solution PVT Limited at Hosur

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Abstract: *This study aims to provide a comparative analysis of suppliers and clients with respect to the financial ratio analysis of Pinnacle Engineering Solutions Pvt Ltd. By examining key financial ratios, the study evaluates the company's relationships with its suppliers and clients, assessing their impact on financial performance and operational efficiency. Ratios such as the current ratio, quick ratio, accounts payable turnover, accounts receivable turnover, and the operating cycle are calculated and analyzed. The findings reveal insights into Pinnacle's liquidity position, credit policies, and cash flow management. This analysis not only highlights the company's ability to manage its short-term obligations and working capital but also sheds light on the efficiency of its supply chain and client management. The comparative approach facilitates a deeper understanding of the interdependencies between suppliers and clients, ultimately providing strategic recommendations for optimizing business operations and enhancing financial stability.*
Keywords: *Financial Ratio Analysis, Account Payable and Receivable Turnover, Current Ratio, Quick Ratio*

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. Capital investment decisions comprise the long-term choices about which projects receive investment, whether to finance that investment with equity or debt, and when or whether to paydividends to shareholders. Short-term corporate finance decisions are called working capital management and deal with balance of current assets and current liabilities by managing cash, inventories, and short-term borrowings and lending (e.g., the credit terms extended to customers). Finance is the life blood of the business. Financial management study about the process of procuring and judicious use of financial resources with a view to maximizing the value of the firm thereby the value of the owner i.e., equity shareholder in a company is maximized. The basic responsibility of the finance manager is to acquire funds needed by the firm and investing those funds in profitable ventures that will maximize firm's wealth as well as yielding returns tothe business concern. The success or failure of any firm is mainly linked with the quality of financial decision. The globalization and liberalization of the world economy has caused to bring tremendous reforms in financial sector which aims at promoting diversified, efficient and competitive financial system in the country. The financial reforms coupled with diffusion of information technology have to increase competition, mergers, takeover, cost management, quality improvement, financial discipline etc. Globalization has caused to integrate national economy with the world economy and it has created a new financial environment which brings new opportunities and challenges to the individual business concern. In this study led to total reformation of the finance function and its responsibilities in the organization. Financialmanagement in India has changed substantially in scope and complexity in view of recent government policy. Today's finance managers are seized with problem of financial managementlooks into the following function that a finance manager of a business firm will perform. Arrangement of short term and long-term funds from financial institutions.

Mobilization of funds through financial instruments like equity shares, preference shares,debentures, bonds etc. Orientation of finance functions with the accounting function and compliance of legalprovisions relating to funds procurement, use and distribution.

2. OBJECTIVE OF THE STUDY

The main objective of the study is to test the liquidity, turnover, return, profitability, andshareholder and leverage ratio of a concern.
To analyses and evaluate the ratio analysis of Pinnacle Batteries.
To study the profitability and liquidity position of the organization.
To study the growth of the Pinnacle Batteries for the past five years from 2018 to 2022.
To make suggestions & recommendations for improving the financial position of PinnacleBatteries.

3. SCOPE OF THE STUDY

To analyze and interpret the relevant data of the company in a balanced way byratio Analysis.
To do the study in a logical and systematic way.
To make the study as reliable in nature.
To provide a valuable suggestions and recommendations.
To identify the basis of analysis & interpretation of the PINNACLE BATTERIES.
To identify the strength and weakness of a business concern.
The study will help to analyses the financial status of the firm.

4. LITERATURE REVIEW

Rebecca Lawrence, John B. Gentry, and L. Paige Fields. (2017),conducted a study on Ratio Variables on which he found three different uses of ratio variables in aggregate data analysis: (1)as measures of theoretical Concepts, (2) as a means to control an extraneous factor, and (3) as a correction for heteroscedasticity. In the use of ratios as indices of concepts, a problem can arise if it is regressed on other indices or variables that contain a common component. For example, the relationship between two per capital measures may be confounded with the common population component in each variable. Regarding the second use of ratios, only underexceptional conditions will ratio variables be a suitable means of controlling an extraneous factor. Finally, the use of ratios to correct for heteroscedasticity is also often misused.

Abhijeet Singh and Mandeep Kaur. (2019), conducted a study on Financial Intermediation onwhich he observed that the quantitative behavior of business-cycle models in which theintermediation 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 some other than output, investment is negatively correlated with output, variations in the capital stock are quite large, and interest rates are procyclical. The model economy thus fails to 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.

Brunelli and Giuseppe Lusignan., Discussed in his research about ‘Financial appraisal of Indian Automotive Industry’. Main objective of study was intended to probe into the financial condition- financial strength and weakness-of the Indian tire industry. He has been measured and evaluates the financial performance through inter-company and inter-sector analysis for theperiod of 1981-1988. He has found that the fixed assets utilization in many of the tireundertakings was not as productive as expected and inventory was managed fairly well.

Olayinka David-West and Olufemi O. Ayadi. (2020) In this review the authors have said thatmanagers must pursue efficiency and effectiveness within the firm to achieve strategic cost management which is linked to the cost structure of the firm. Increasingly, purchased materialsand services account for a significant share of the cost of firms' products and services. This canbe achieved by reconfiguring firm boundaries, relocating resources, reengineering processes, and re-evaluating product and service offerings. They further say that cost management employstools of organizational design, product design, and process design to create a supply chain cost structure that is coherent with firm strategy.

Parmjit Kaur (2022), discussed in his study about performance of India's non-financial corporate sector since 1989, by using firm level data and evaluated its financial vulnerabilities. He has found that promising trends in liquidity, profitability and leverage of the sector emerged in the early 1990s; he has experienced a reversal after 1996. Nevertheless, most indicators werestill at comfortable levels, and there was evidence of improvement in 2002.

5. RESEARCH METHODOLOGY

The company's survival and growth depend on its performance. Finance reports are prepared quarterly, half yearly and annually by the company, by using various financial tools andtechniques, 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.

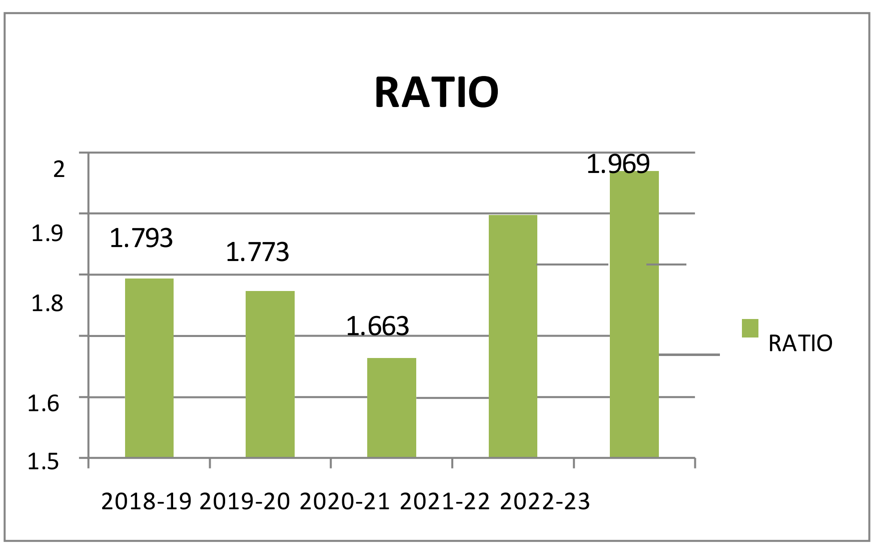
6. LIQUIDITYRATIO CURRENT RATIO

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 oneyear.

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

YEAR	CURRENTASSETS	CURRENT LIABILITIS	RATIO
2018-19	3,251.97	1,813.64	1.793
2019-20	3,471.97	1,958.08	1.773
2020-21	5,409.95	3,251.55	1.663
2021-22	4,394.89	2,314.85	1.898
2022-23	4,722.55	2,398.23	1.969

Sources: Annual Report.



Analysis

In the year 2018-19 the current ratio is 1.793 and in the year 2019-20 it is decreased as 1.773 and in the year 2020-21 it is decreased as 1.663 and in the year 2021-22 it is Increased as 1.898and in the year 2013-14 it is 1.983.

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 abilityto 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:

Current assets – inventories

Quick ratio =

Current liabilities

Or

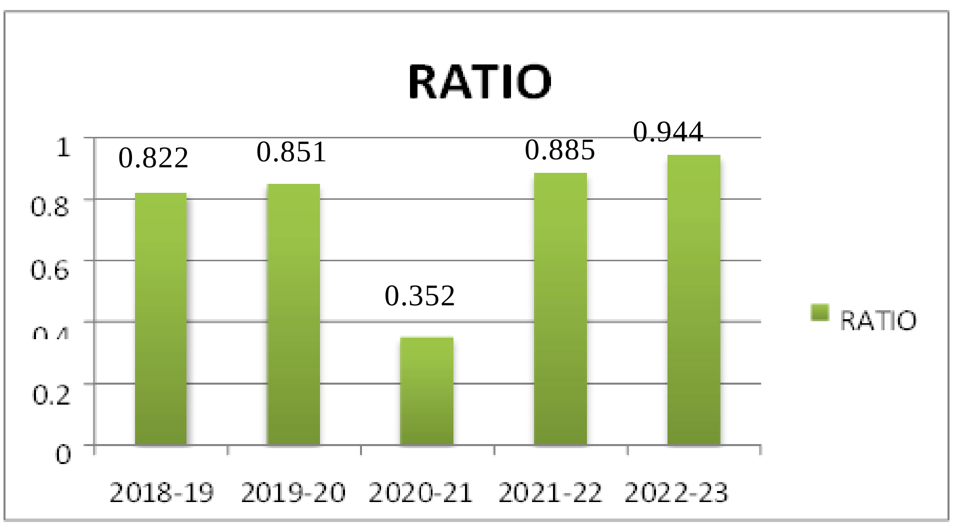
(Cash and equivalents + marketable securities +accountsreceivable)

= ---

Current liabilities

	QUICK	RATIO	
YEAR	QUICK ASSETS	CURRENT LIABILITIES	RATIO
2018-19	1,491.82	1,813.64	0.822
2019-20	1,668.00	1,958.08	0.851
2020-21	1,147.23	3,251.55	0.352
2021-22	2,048.7	2,314.85	0.885
2022-23	2,264.07	2,398.23	0.944

Sources: Annual Report



Analysis
In the year 2018-19 the quick ratio is 0.822 and in the year 2019-20 is 0.851 and in the year 2020-21 it is decreased as 0.352 and in the year 2021-22 it is increased as 0.885 and in the year2022-23 it is 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 facingshort term financial crises.
Turnover ratio:

7. INVENTORY TURNOVER RATIO

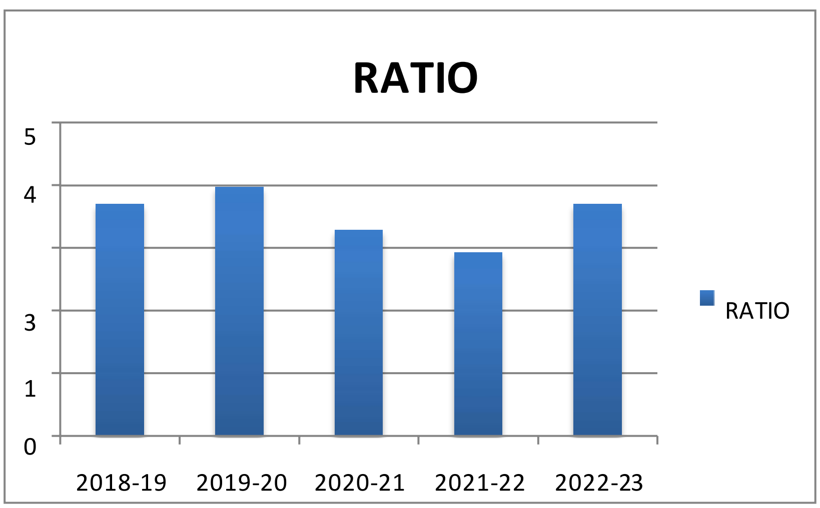
This ratio indicates the number of times the inventory has been converted into sales during the period. Thus, it evaluates the efficiency of the firm in managing its inventory. Itis calculated by dividing the cost of goods sold by average inventory.

Cost of goods sold Inventory Turnover Ratio = -------------------------

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 averageinventory.

	INVENTORY TURN	OVER RATIO	
YEAR	COST OF GOODS SOLD	INVENTORY	RATIO
2018-19	6,084.94	1,643.76	3.701
2019-20	7,076.22	1,782.06	3.970
2020-21	6,567.39	1,998.12	3.286
2021-22	6,645.50	2,269.23	2.928
2022-23	8,882.49	2,402.33	3.697

Sources: Annual Report. Analysis



In the year 2018-19 the inventory turnover ratio is 3.701 and in the year 2019-20 is 3.970 and in the year 2020-21 it is 3.286 and in the year 2021-22 it is 2.928 and in the year 2022-23 itis 3.697.
Interpretation:
The inventory turnoverratio is increased from first year and second year, it has not decreased inthe years which shows

in efficiency of management to convert its stock into finished product, increasing ratio indicates there must be decreasing in cost of storing and handling inventory, alsothere must be relation increasing in percentage of sales.

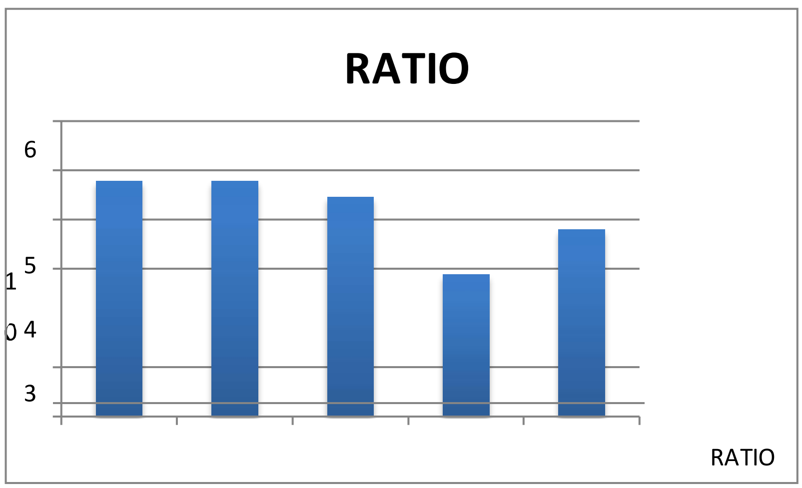
8. FIXED ASSET TURNOVER RATIO

This ratio determines efficiency of utilization of fixed assets and profitability of a business concern. A lower ratio is the indication of underutilization of fixed assets. This ratio is calculatedas under

$$\text{Fixed Asset} = \frac{\text{Sales}}{\text{Net fixed asset}}$$

	FIXED ASSET TURN	OVERRATIO	
YEAR	SALES	NET FIXEDASSET	RATIO
2018-19	12,808.00	2,681.00	4.777
2019-20	14,721.00	3,080.00	4.779
2020-21	14,471.00	3,248.00	4.455
2021-22	10,359.00	3,599.00	2.878
2022-23	12,789.00	3,369.00	3.796

Sources: annual report.



Analysis

In the year 2018-19 the fixed assets turnover ratio is 4.777 and in the year 2019-20 is 4.999 and in the year 2020-21 it is 4.455 and in the year 2021-22 it is 2.878 and in the year2022-23 it is 3.796.

Interpretation

The performance of the result was at the maximum of 4.779 during the year 2018-19, more salesturnover and more investment in fixed assets. It is the reason of proper management of funds also one of the reasons. Fixed assets ratio is increased from 4.777 to4.779 it is good sign for thecompany.

9. FINDINGS

1. The study conducted at Pinnacle industries ltd. The following findings are made
2. Asia's largest battery manufacturer.
3. The only organization in the world manufacturing all types of lead acid batteries.
4. Pinnacle is a super brand and having wide distribution network.

5. The company is providing the necessary welfare facilities for the employees in comportzone and increasing the relation level of the company.
6. Good HR practices and policies are followed.
7. Pinnacle has very good environment management.
8. The working capital turnover ratio of the company in the year 2018-19 is 5.87it has been increased in the year is 2018-19 is 5.87 and corresponding years alsodecreasing in the working capital turnover ratio.
9. The current ratio of the company was varying from year to year. Among the study,which had been for 5 years current ratio is favorable and the company is quite satisfactory.
10. The fixed assets turnover ratio of allthe 5 years is moderate.

10. SUGGESTIONS & RECOMMENDATION

The company should reduce employee turnover. 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 2:1 byreducing the current liabilities. The company can increase their net profit by reducing the operating and otherexpenses. Management of inventory can be improved further by increasing sales. There would be more efficient utilization of current assets by management. Increase in sales should correspond to increase in current assets. The company should try to increase the net profit so as to give better returns tothe shareholders. The company should maintain the present proprietary ratio, so that the solvencyposition of the company is maintained.

11. CONCLUSION

The study is done on the ratio analysis at Pinnacle industries limited. Pinnacle industry is a largest battery manufacturer. Pinnacle is a super brand and it has wide distribution network. The companies having good control over the current liabilities as its current ratio is almost equal to the standard ratio 2:1. The liquid ratio is not up to the standard indicating the limited liquid assets available to meet the current liabilities. The company able to have turnover of stock almost equal to 5 times which is satisfactory. Overall ratio analysis of the company is sa tisfactory as they are maintaining current assets and current liabilities in the proper position. To conclude, would like to maintain the face value that ratio analysis here is good but still improve if the company follow suggestion given by the researcher.

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