

AN ANALYSIS FINANCIAL STATEMENT OF STAR HEAT TREATERS PRIVATE LIMITED

Submitted in partial fulfilment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

by

SARAVANAN.P

REGISTERNO:42410258



DEPARTMENT OF BUSINESS

ADMINISTRATIONSCHOOL OF MANAGEMENT

STUDIES

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

Accredited with Grade “A++” by NAAC | 12B status by UGC | Approved by

AICTE Jeppiaar nagar, Rajiv Gandhi salai, Chennai - 600 119

DECEMBER 2023



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Jeppiaar Nagar, Rajiv Gandhi Salai, Chennai – 600 119

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SCHOOL OF MANAGEMENT STUDIES

BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **SARAVANAN.P (42410258)** who carried out the project **AN ANALYSIS FINANCIAL STATEMENT OF STAR HEAT TREATERS PRIVATE LIMITED**

under my supervision from **SEPTEMBER 2023 TO DECEMBER 2023.**

Ms.AGILA
Internal Guide

Dr. BHUVANESWARI, G. MBA., Ph.D
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Submitted for Viva voice Examination held on_____.

Internal Examiner

External Examiner

DECLARATION

I **SARAVANAN.P (42410258)** hereby declare that the project report entitled **AN ANALYSIS FINANCIAL STATEMENT OF STAR HEAT TREATERS PRIVATE LIMITED** done by me under the guidance of **Ms. AGILA Associate professor, School of Management studies** is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE:

PLACE:

SARAVANAN.P

ACKNOWLEDGEMENT

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SARAVANAN.P

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CHAPTER 1

1.1 INTRODUCTION

WORKING CAPITAL

Every business needs funds for two purposes for its established and to carry out its day to day operations, long term's funds are required to create production facilities through purchase of fixed assets such as plant and machinery, land and building, furniture etc. investment in these assets represent that part of firms capital which is blocked on a permanent or fixed basis and is called fixed capital. Funds are needed for short-term purposes for the purchases of raw material, payments of wages and other day-to-day expenses etc. these funds are known as working capital.

COMPONENTS OF WORKING CAPITAL

The term working capital refers to the gross working capital and represents the amount of funds invested in current assets. Current assets are these assets which in the ordinary course of business can be converted into cash within a period of normally one accounting year.

Examples of current assets are:

1. Cash and bank
2. Short-term loans and advances
3. Bills receivables
4. Sundry debtors
5. Inventories such as:

Raw materials

Work-in-progress

Finished goods

6. Prepaid expenses
7. Accrued incomes
8. Money receivable within 12 months

Examples of current liabilities are:

1. Bills payable
2. Sundry creditors
3. Accounts payables
4. Short-term borrowing
5. Dividend payables
6. Statutory payables
7. Accrued or outstanding expenses
8. Bank overdraft
9. Provident fund dues
10. Any other payments due within 12 months

Types of working capital

Working capital may be classified in two ways:

Permanent working capital

Temporary working capital

Permanent working capital

To carry out the business activities a minimum amount of investment in all current assets is required. In others words, the current assets are required on a continuing basis over the entire year. Such permanent working capital is permanently needed for the business and therefore it should be financed out of long-term funds. The permanent working capital can further be classified as regular capital and reverse working capital. The regular working capital is the excess amount over the requirement for regular working capital which may be provided for contingencies that may arise at unstated periods such as strikes, rise in prices, depression, etc.

Temporary working capital

Variable working capital is the amount of working capital required for short-term periods. The amount of such working capital keeps on fluctuating from time to time on the basis of business activities and economic trend. In such a situation, fixed working capital cannot be employed suitably; hence the requirements of short-term source are employed to finance working capital. Working capital can be further classified as seasonal working capital and special working capital. Special working capital is required to meet special exigencies such as launching research, of extensive marketing campaign for conduct research, etc.

NEED FOR THE STUDY

In any concern working capital management plays an important role. Working capital management helps to estimate their financial position. Working capital management is to manage the firm's current assets and current liabilities. Thus, the financial position of the company can be estimated with its balance sheet of the previous years to analyze whether it is running on the profitability side or not.

1.2 SCOPE OF THE STUDY

The scope of the study is to identify the company's working capital management position by conducting a detailed study through the balance sheet of the organization and also to suggest means of improvement in the existing working capital management if necessary. The present study covers the financial analyze of STAR HEATTREATERS (Pvt) ltd, CHENNAI for six financial years. The years taken for study are from 2018-2022.

1.3 STATEMENT OF THE PROBLEM

Working capital may be regarded as the lifeblood of the business. Its effective provision can do ensure the success of a business. Working capital is important to internal and external analyze because of its close relationship with the day to day operation of a business. Working capital refers to that part of the firm's capital which is required for financing current assets such as cash, debtors and inventories. If the working capital cannot be maintained properly leads to loss or profits of the concern. So, I have studied the working capital management of STAR HEAT TREATERS to analyze whether the firm is maintaining the financial position efficiently or inefficiently.

1.4 OBJECTIVES OF THE STUDY

The main objective of the study is to make an analysis of the financial performance STAR HEAT TREATERS (P) LTD.

The objectives are

- ☐ To assess the liquidity position of the company.
- ☐ To assess the profitability position STAR HEAT TREATERS for the period of 5 years.
- ☐ To evaluate the turnover position of the company.
- ☐ To know the working capital of the company.
- ☐ To analyze the current assets and current liabilities of the company.
- ☐ To measure the overall performance of STAR HEAT TREATERS.
- ☐ To find the long term and short term solvency position of the company.
- ☐ To suggest measures to improve the financial health of the company.

1.5 RESEARCH METHODOLOGIES

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done systematically. In research methodology I have studied the various steps that are generally adopted by a researcher in studying the research problem along with the logic behind in using a particular method technique for evaluation.

Period of study:

The period taken for study is six years from 2018-2022.

Tools applied in this study:

To have meaningful analysis and interpretation of various data collected the following tools were made use for the study.

- ☐ Comparative balance sheet
- ☐ Statement of changes in working capital management
- ☐ Ratio analysis

Types of research:

In research methodology there may be mentioned as primary research and secondary research.

1. Primary data
2. Secondary data

Primary data

Primary data is collected through discussion with the guide in star heat treaters.

Secondary data

Secondary data was the important source of information for this study that includes annual reports, journals. These data's are gathered from already collected and stored.

1.6 LIMITATIONS OF THE STUDY

Following limitation was encountered while preparing this project:

Limited data: This project has completed with annual reports; it just constitutes one part of data collection i.e., secondary there were limitations for primary data collection because of confidentiality

Limited period: This project is based on five year annual reports. Conclusions and recommendations are based on such limited data. The trend of last five years may or may not reflect the real working capital position of the bank.

Limited area: also it was difficult to collect the data regarding the competitors and their financial information's.

2.1 COMPANY PROFILE

MISSION STATEMENT OF STAR HEAT TREATERS

To provide of pure innovative solution to the heat treatment industry; ensuring the success of our customers and ourselves by exceeding expectations and being admired for company value and professionalism.

COMPANY PROFILE

The Metal Clinic 'STAR HEAT TREATERS' started serving customers from 12th march 2017 onwards. company is a partnership firm comprising of five member team with varied experience in the field of heat treatment. Metal Clinic is equipped with a maximum of 20 years experienced associates. The furnaces are designed considering all the practical difficulties which company faced in course of our experience with heat treatment industry. With extensive support from company customers within six months of starting operations company have dedicated another furnace in our customer's service. company assure our customer with solutions for all their metal related issues. The level of service offered would certainly make us to fall in company customer's zone of recommendation.

Star Heat Treaters registered with small scale industries with entrepreneur memorandum number 330011107874. company have obtained consent from tamilnadu pollution control board establishment under section of the air (prevention and control of pollution) act 1987. Also consent had been obtained for the establishment under section 25 of the water (prevention and control of pollution act) 1947, as amended in 1988.

company recognize that the maintenance and improvement of company standards are essential for company success, reputation and future, for the satisfaction of customers and own staff. To realize this aim, company have developed a quality management system (QMS), adopted right from day one onwards, which complies with the international standard ISO 9001:2000.

Some organization limits their potential by limiting the quality improvement they make to the simple or the obvious. If the return on investment does not appear to warrant improving a process, they may opt to remain with the status quo, losing out on the hidden benefit that are realized from improving quality wherever possible. company have learnt from our experience that although these hidden benefits often cannot be anticipated, they invariably surface and always prove to be worthwhile. It is on this basis that our organization functions.

company consistency in quality and quick TAT makes company identification different from others among the industry. company monitor processes taking two points in to consideration effectiveness (degree to which customer CTQs are met and exceeded) and efficiency (amount of resources allocated in meeting and exceeding customer CTQs).

All company furnaces used to serve company customer are calibrated as per ford standards. company believe that ford developed and adopted the best practices available in automobile sector. Calibration of temperature controllers and other equipment are done once in every quarter. Similarly the testing are done once in every quarter. Thermal mapping of all the furnaces are conducted once in a year.

Quality policy

Enabled by technology we at STAR HEAT TREATERS are committed to satisfy company customers by providing quality heat treatment services and on time delivery meeting their requirement. This will be achieved by involving all in the organization and continually improve the effectiveness of established quality management systems.

SERVICES RENDERED IN COMPANY METAL CLINIC:

Following are the services provided by us to our customers,

- ❖ Direct hardening
- ❖ Case hardening
- ❖ Tempering
- ❖ Annealing
- ❖ Carbo-nitriding
- ❖ Carburizing
- ❖ Stress relieving
- ❖ Normalizing
- ❖ Solution treatment
- ❖ Precipitation hardening or age hardening

3.1 CONCEPTUAL AND THEORETICAL REVIEW

The comparative balance sheet analysis is the trend of the same items group of items and computed items in two or more balance sheet of the same business Enterprise on different data's. The changes in periodic balance sheet items reflect the conduct of a business. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period there changes can help in forming an opinion about the progress of an enterprise.

The comparative balance sheet has two columns for the data of original balance sheets. A third column is used to show increase/decrease in figures. The fourth column may be added for giving percentage of increased or decreases.

STATEMENT OF CHANGES IN WORKING CAPITAL

Working capital means the excess of current asset assets over current liabilities. Statement of changes in working capital is prepared to show the changes in working capital between the two balance sheets. This statement is prepared with the help of current assets and liabilities derived from the two balance sheets.

As working capital = current assets – current liabilities

RATIO ANALYSIS

A ratio is nothing but a simple arithmetical expression of the relationship of one number to another. It may be defined as the indicated quotient of two mathematical expressions. In simple language ratio is one number expressed in terms of another and can be worked out by dividing one number into the other.

Definition

According to accountant's handbook by wixon, kell and Bedford, a ratio "is an expression of the quantitative relationship between two numbers".

Current ratio

Current ratio is the functional relationship between current assets and current liabilities. It is most widely used to make the analysis of a short-term financial position or liquidity of a firm.

Current ratio = Current assets / current liability

Quick or liquidity ratio

Quick ratio is used as the functional relationship between quick assets and current liabilities. An asset is said to be liquid if it can be converted into cash within a short period without loss of value. Quick ratio (or) liquid ratio = quick assets/current liability

Quick assets = current assets – (stock + prepaid expenses)
Quick liabilities = current liabilities – bank overdraft
Fixed assets turnover ratio

Fixed assets turnover is the relationship between sales or cost of goods sold and fixed/capital asset employed in a business.

Fixed assets turnover ratio = sales / net fixed assets

TOTAL ASSETS TURNOVER RATIO

Assets turnover is the relationship between sales and assets. The firm should manage its assets efficiency to maximize sales. The total assets turnover indicates the efficiency with which the firm uses all its assets to generate sales. It is calculated by dividing the firm's sales by its total assets.

Total assets turnover ratio = net sales / total assets

GROSS PROFIT RATIO

Gross profit ratio measures the relationship of “gross profit” to net sales and is usually represented as a percentage. It is one of the important ratios for measuring profitability of a firm.

Gross profit ratio = gross profit / net sales

NET PROFIT RATIO

The net profit establishes a relationship between net profit and sales. This ratio is the overall measure of a firm’s profitability and is calculated as follows: the difference between Current assets and current liabilities excluding short term bank borrowing is called net working capital (NWC) or net current assets (NCA). It can be related to net assets capital employed.

Net profit = net profit / sales

RETURN ON ASSETS RATIO

Profitability can be measured in terms of relationship between net profit and assets. This ratio is also known as profit-to-assets ratio. It measures the profitability of investment. The overall profitability can be known.

Return on assets = net profit / total assets

There are various approaches possible to define net profits and assets.

STOCK TURNOVER RATIO

It indicates the number of times the stock has been turned over during the period and evaluates the efficiency with which a firm is able to manage its inventory.

Stock turnover ratio = cost of goods sold / average

stockCost of goods sold = sales – gross profit

Average stock = opening stock + closing stock / 2

PROPRIETOR'S RATIO

The proprietary ratio relates to the proprietors funds to total assets. It reveals the owners contribution to the total value of assets. This ratio shows the long term solvency of the firm. It is calculated by dividing proprietor's funds by the total tangible assets.

Proprietary ratio = proprietaries funds / total tangible assets

Proprietors funds = equity share capital + preference share capital + reserves & surplus

WORKING CAPITAL TURNOVER RATIO

Working capital turnover ratio indicates the velocity of the utilization of the net working capital. This ratio indicates the number of times the working capital is turned over in the course of the year. This ratio measures the efficiency with which the working capital is being used by a firm. A higher ratio indicates efficient utilization of working capital and a lower ratio indicates otherwise.

Working capital ratio = cost of sales or sales / net working

capital
Net working capital = current assets – current liabilities

EARNING PER SHARE RATIO

An earnings per share is a small variation of return on equity capital and is calculated by dividing the net profit after taxes and preference dividend by the total number of equity shares.

Equity per share = net profit / no. of equity share.

CURRENT ASSETS TO PROPRIETARY FUNDS RATIO

A current asset to shareholders funds ratio is the ratio is calculated to know the solvency position of the firm. The purpose of this ratio is to calculate the percentage of shareholders funds invested in current assets. The ratio of the current assets in shareholder's funds is calculated as follows.

Current assets to proprietary funds = $\text{current assets} / \text{proprietary funds}$

OVERALL SOLVENCY (OR) TOTAL DEBT RATIO

It is a ratio which relates the total tangible assets with the total borrowed funds. In a sense it is the 'other side of the coin' for proprietary ratio.

Total debt ratio = total debt / total assets

In this ratio total debt includes both short term and long term borrowings. It shows the proportion of assets needed to repay the debts. A higher ratio indicates greater risk and lower safety to the owners. A higher ratio also makes the firm vulnerable to business cycles and its solvency becomes suspect. Further borrowing becomes difficult for firms with a high total debt ratio. Such firms are called 'highly geared'.

CURRENT LIABILITY TO NETWORTH RATIO

It is a measure of the extent to which the enterprise is using credit funds versus their own investment to finance the business (current liability's + equity). A ratio of 0.5 or higher may indicate inadequate owner investment or an extended accounts payable period care should be taken not to offer, the vendors (creditors) to the extent it affects the ability to conduct day to day business.

Net working capital to current liability = net working capital / current liabilities

CHAPTER 2

3.2 REVIEW OF LITERATURE

According to I.M.Pandey he has studied that the working capital is the amount of funds necessary to cover the cost of operating the enterprises. Working capital is necessary to run the day-to-day business activities in a firm. A firm needs working capital because the production, sales and cash flows are not instantaneous. The firm needs cash to purchase raw materials and pay expenses as there may not be matching between the inflows and outflows. Cash may also be held to meet the future emergencies. The stocks of raw materials are kept in order to ensure smooth production and to protect against the risk of non availability of raw materials. production leads to the creation of stocks or financial goods so as to meet the customers demand.

P.L.Mani has comprehensively analyzed “the working capital management cost of operation and fare level, physical and financial performance of pandiyan Roadways Corporation in particular”. In the year 1980, Dr.Chotelal has analyzed standard financial ratios in cotton spinning mills. He recommended that standard ratios should be worked out frequently at least the end of each year. Any deviation between standard and actual should not always be treated as unfavorable. Prasanna chandra studied the performance evaluation of tamilnadu industrial investment corporation limited in the areas of mobilization, lending performance, recovery performance and profitability of evaluation.

According to K.V.Smith working capital management is concerned with problems that arise in attempting to manage the current assets, the current liabilities and the inter relationship that exists between them. According to L.J.Gitaman “net working capital can defined in 2 ways

1. The difference between the current assets and current liabilities.
2. The portion of concern assets which is financed with long term funds.

According to R.M.Mishra, A collection policy should analyze emphasize promptness, regularity and systematization in collection efforts. It will have a psychological effect upon the customs in that it will make them realize the attitude of the seller towards the obligations granted. According to Theodore N.Becknam cash discount is a premium on payment of debts due date and not a compensation for the so called prompt payment. According to van horn inventories

should be allowed to increase till the resulting savings exceed the total cost of holding the added inventory.

According to R.R.Baxi, maintenance of surplus of cash by accompany unless there are special reasons for so doing is regarded as a bad sign of cash management.” According to S.S.Singhvi, “call management includes management of marketable securities also, because in modern terminology money comprises marketable securities and actual cash in hand and cash in bank”. According to N.K.Agarwal, credit and collection policies have a direct bearing on the net worth of a mill as they affect a mills basic functioning of selling.

Shall and Halsey managing current assets requires more attention than managing plant and equipment expenditure. Mismanagement of current assets can prove costly. Too large an investment in current assets means tying up capital that can be used productively elsewhere .On the other hand too little investment can also be expensive. For e.g. sufficient inventory may mean that the sales are lost sincethe goods a customer wants to buy are not available. The result is that a financial manager spends a larger percentage of his time managing current assets very quickly and lack of attention paid to them may result in appreciably lower profits for the firm.

According to file beck, Greg and Kruger, cash flow is the lifeblood of firms, and efficientworking capital management is the key to achieving healthy cash flow. Firms with weak working capital management strategies give up flexibility and potentially a competitive advantage. The more recent proliferation of corporate scandals regarding the integrity of earnings further underscores the importance of working capital management and a strong balance sheet. Both accounts receivable and inventory management are key success variables to efficient working capital management strategies. The annual “working capital survey” made its debut in 1997 in CFO magazine. The magazine identifies working capital management as one of the key issues facing financial executives in the 21st century. The inaugural 1997 “working capital survey” ranked the efficiency of working capital at 1000 companies across 35 industries based on two measures of financial data: cash conversion efficiency and days of working capital.

4.1 ANALYSIS PART:

TABLE NO: 4.1.1

Schedule of changes in Working Capital for the year 2017-2018

(Rupees in Lakhs)

PARTICULARS	2017	2018	INCREASE	DECREASE
CURRENT ASSETS:				
Inventories	3778.64	3394.41		384.23
Debtors	7034.60	6696.36		338.24
Cash and Bank	63.11	67.03	3.92	
Loans and advances	1452.82	2220.10	767	
	123g.17	12377.90		
Less: CURRENT LIABILITIES:				
Liabilities	2496.43	1981.50	514.93	
Provisions	367.87	506.89		139.02
	2864.30	2488.39	1286.13	861.53
Working Capital	9464.87	9889.51		
Increase in working capital	424.64			424.64
	9889.51	9889.51	1286.13	1286.13

Result:

In the year 2017-2018 the working capital was increased the amount of Rs.424.64 lakhs

Table no: 4.1.2

Schedule of charges in working capital for year 2018-2019

(Rupees in Lakhs)

PARTICULARS	2018	2019	INCREASE	DECREASE
CURRENT ASSETS:				
Inventories	3394.41	5303.88	1909.47	
Debtors	6696.36	9002.79	2306.43	
Cash and Bank	67.03	233.96	166.93	
Loans and advances	220.10	2348.01	127.91	
Other current assets		0.14	0.14	
	12377.90	16888.78		
Less: CURRENT LIABILITIES:				
Liabilities	1981.50	4795.48		2813.98
Provisions	506.89	395.88	111.01	
	2448.39	5191.36	4621.89	2813.98
Working Capital	9889.51	11697.42		
Increase in working capital	1807.91			1807.91
	11697.42	11697.42	4621.89	4621.89

Result:

In the year 2018-2019 the working capital was increased the amount of Rs.1807.91 lakhs

Table no: 4.1.3

Schedule of charges in working capital for year 2019-2020

(Rupees in Lakhs)

PARTICULARS	2019	2020	INCREASE	DECREASE
CURRENT ASSETS:				
Inventories	5303.88	11560.23	6256.35	
Debtors	9002.79	11922.53	2919.74	
Cash and Bank	233.96	144.22		89.74
Loans and advances	2348.01	3232.86	884.85	
Other current assets	0.14	0.07		0.07
	16888.78	26859.91		
Less: CURRENT LIABILITIES:				
Liabilities	4795.48	6293.81		1498.33
Provisions	395.88	502.17		106.29
	5191.36	6795.98	10060.94	1694.43
Working Capital	11697.42	11697.42		
Increase in working capital	8366.51			8366.93
	20173.93	20173.93	10060.94	10060.94

Result:

In the year 2019-2020 the working capital was increased the amount of Rs.8366.51 lakhs

Table no: 4.1.4

Schedule of charges in working capital for year 2020-2021

(Rupees in Lakhs)

PARTICULARS	2020	2021	INCREASE	DECREASE
CURRENT ASSETS:				
Inventories	11560.23	9598.93		1961.3
Debtors	11922.53	11867.71		54.82
Cash and Bank	144.22	132.64		11.58
Loans and advances	3232.86	4678.17	1445.31	
Other current assets	0.07	0.11	0.04	
	26859.91	26277.56		
Less: CURRENT LIABILITIES:				
Liabilities	6293.81	11096.93		4803.12
Provisions	502.17	393.88	108.29	
	6795.98	11490.81	1553.64	6830.82
Working Capital	20173.93	14786.75		
Increase in working capital		5277.18	5277.18	
	20173.93	20173.93	6830.82	6830.82

Result:

In the year 2020-2021 the working capital was decreased the amount of Rs.5277.18 lakhs

Table no: 4.1.5

Schedule of charges in working capital for year 2021-2022

(Rupees in Lakhs)

PARTICULARS	2021	2022	INCREASE	DECREASE
CURRENT ASSETS:				
Inventories	9598.93	11544.02	1945.09	
Debtors	11867.71	14353.11	2485.4	
Cash and Bank	132.64	83.23		49.41
Loans and advances	4678.17	5159.02	480.85	
Other current assets	0.11	0.14	0.03	
	26277.56	31139.52		
Less: CURRENT LIABILITIES:				
Liabilities	11096.93	14659.84		3562.91
Provisions	393.88	97.68	296.2	
	11490.81	14757.52	5207.57	3612.32
Working Capital	14786.75	16382		
Increase in working capital	1595.25			1595.25
	16382	16382	5207.57	5207.57

Result:

In the year 2021-2022 the working capital was increased the amount of Rs.1595.25 lakhs

CALCULATION OF NET CURRENT ASSETS:

Different between current assets and current liabilities is called net current assets

$$\text{Net current assets} = \text{Current assets} - \text{Current Liability}$$

Net current assets of star heat treaters

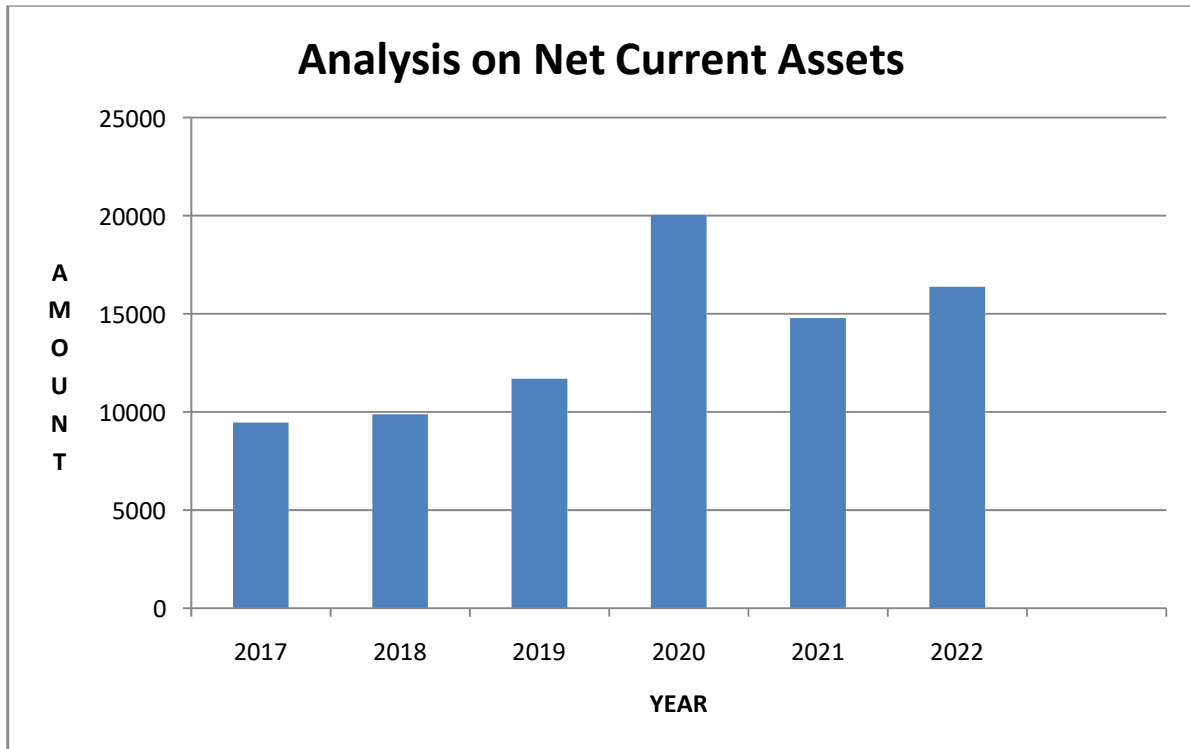
TABLE NO : 4.1.6

(Rupees In lakhs)

YEAR	CURRENT ASSETS	CURRENT LIABILITY	NET C. ASSETS
2017	12329.17	2864.30	9464.87
2018	12377.90	2488.39	9889.51
2019	16888.78	5191.36	11697.42
2020	26859.91	6795.98	20173.93
2021	26277.56	11490.81	14786.75
2022	31139.52	14757.52	16382.00

CALCULATION OF NET CURRENT ASSETS

CHART NO: 4.1.6



Interpretation:

The net current assets value while increasing from 2017 to 2018 (9464.87 to 10173.93). During the study period the net current assets is high in 2020 the amount is 20173.93 and very lowest values entered in 2017 the amount is 9464.87. But now net current assets value increasing trend.

4.2 RATIO ANALYSIS

4.2.1 CURRENT RATIO:

Current ratio is the relationship between current assets and current liabilities.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{current liabilities}}$$

Current assets: Stock, Bills Receivables, Bank, Debtors, Loans and advances.

Current liabilities: All provision, Bank o/d, Creditors.

ANALYSIS OF CURRENT RATIO

TABEL NO: 4.2.1

(Rupees in Lakhs)

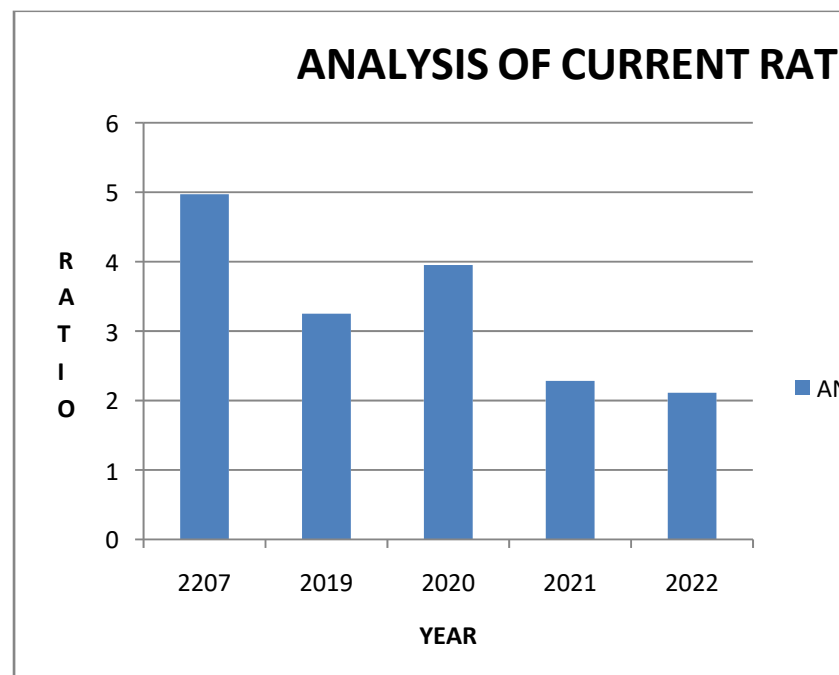
YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2018	12377.90	2488.39	4.97
2019	16888.78	5191.36	3.25
2020	26859.91	6795.98	3.95
2021	26277.56	11490.81	2.28
2022	31139.52	14757.52	2.11

ANALYSIS OF CURRENT

RATIOCHART NO: 4.2.1

INTERPRETATION:

Current ratio is a very important ratio, which is used to find the short term solvency of the firm. Here the current ratio was its best of 4.97 in 2018, but it has decreased gradually to 2.11 in 2022. Even though the standard proportion of the current ratio is 2:1, it's not necessary to maintain it in practical. As many banks are there to grant loans for the corporate it's not necessary to maintain it.



4.2.2 QUICK RATIO:

Quick Ratio is also called Acid-test ratio because it is the acid of a concern's financial soundness. It is the relationship between quick assets and quick liabilities. Quick assets are those assets which are readily converted into cash.

Quick ratio= (Quick Assets) / (Quick Liabilities)

Quick assets: Current assets-(Stock + prepaid Expenses)

Quick Liabilities: Current liabilities-bank overdraft

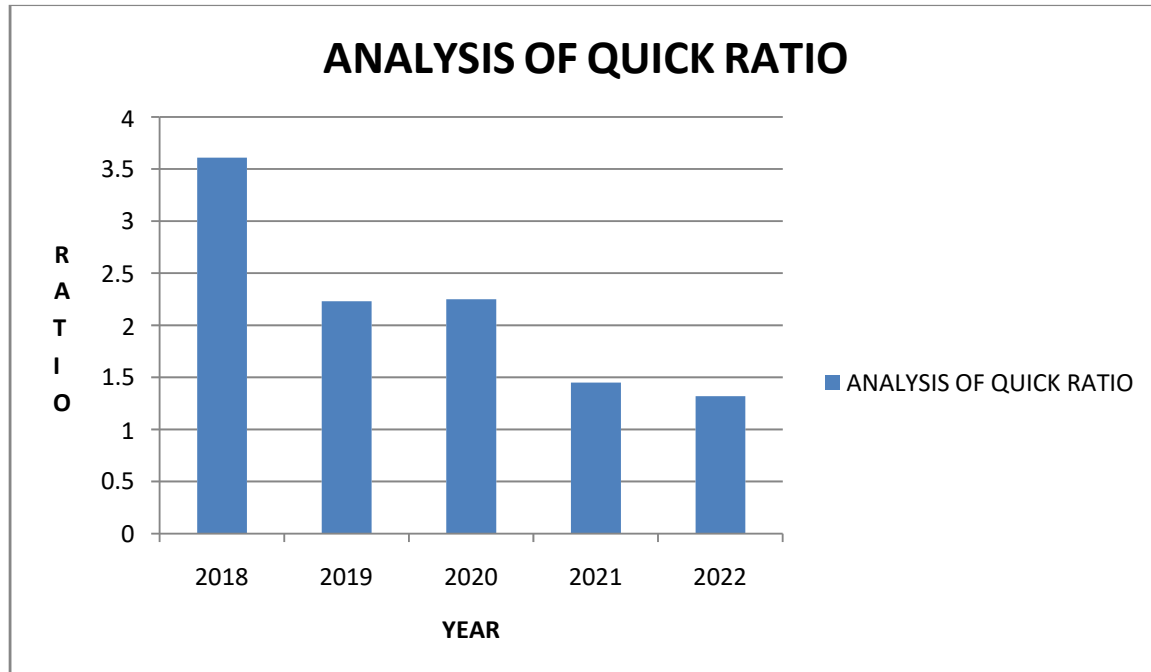
ANALYSIS OF QUICK RATIO

TABEL NO: 4.2.2

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	QUICK RATIO
2018	8983.49	2488.39	3.61
2019	11584.90	5191.36	2.23
2020	15299.68	6795.98	2.25
2021	16678.63	11490.81	1.45
2022	19595.50	14757.52	1.32

ANALYSIS OF QUICK RATIO

CHART NO: 4.2.2



INTERPRETATION:

The acid test ratio is also known as the liquid or the quick ratio. The idea behind the ratio is that, stocks are difficult to sell or use it, so to find the real solvency ratio; the stock is excluded from the current assets, the ideal ratios 1:1

4.2.3 DEBT EQUITY RATIO:

The debt equity ratio establishes the relationship between share holders funds and outsider's funds. Outsider's funds include all the long term and short term debts. Shareholders' funds consist of preference share capital equity share capital and reserves and surplus.

$$\text{Debt-Equity Ratio} = \text{Debt} / \text{Equity}$$

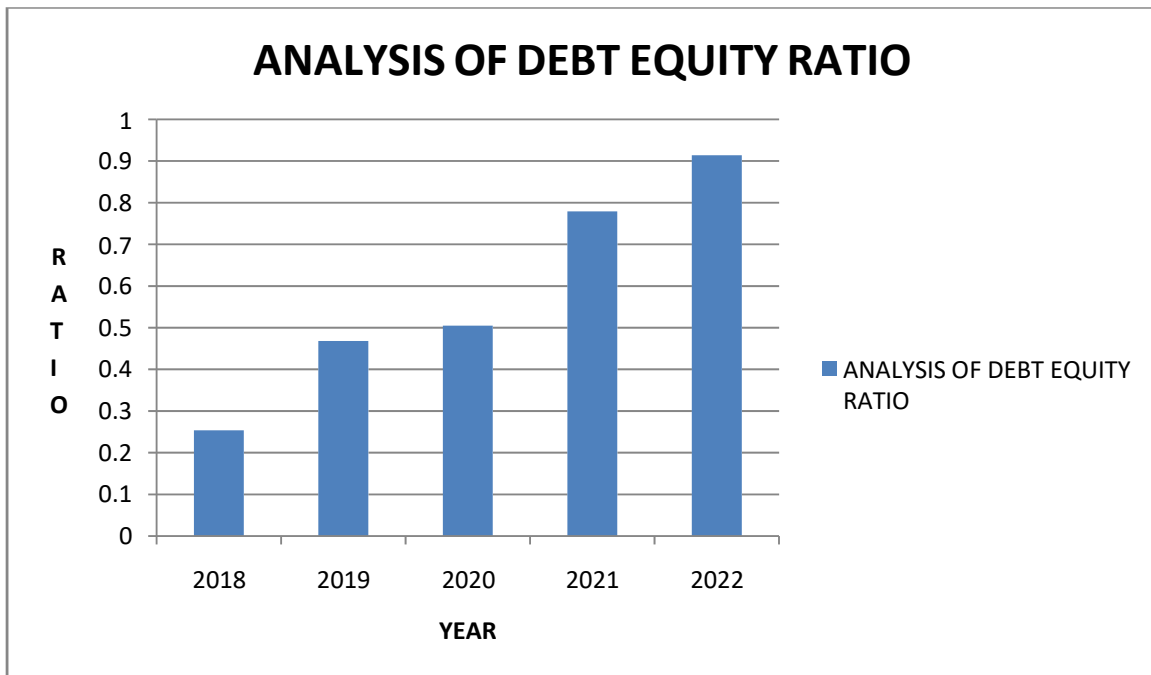
ANALYSIS OF DEBT EQUITY RATIO

TABEL NO: 4.2.3

YEAR	DEBT	EQUITY	DEBT EQUITY RATIO
2018	2101.98	8253.92	.254
2019	4772.53	10185.35	.468
2020	6173.81	12213.11	.505
2021	11005.3	14118.49	.779
2022	14624.52	15990.04	.914

ANALYSIS OF DEBT EQUITY RATIO

CHART NO: 4.2.3



INTERPRETATION:

Debt equity ratio is 1:1 is considered desirable. But the firm having less than one at every year. It shows the firm having more shareholders funds only. The long term and short term debt are less than the shareholders funds. For example, the year 2017 it is clear that from the total debt ratio this Wheel India Ltd lender have contributed fewer funds than owners.

4.2.4 NET PROFIT RATIO:

The ratio is called net profit to sales ratio. It is a measure of management's efficiency in operating the business successfully from the owner's point of view. It indicates the return on shareholders' investment. Higher the ratio better is the operational efficiency of the business concern.

$$\text{NET PROFIT RATIO} = (\text{NET PROFIT AFTER TAX} / \text{NET SALES}) * 100$$

Net profit includes non-operating incomes and profits. Similarly net profit is the profit after reducing non operating expenses. Provision for tax is also subtracted while determining net profit.

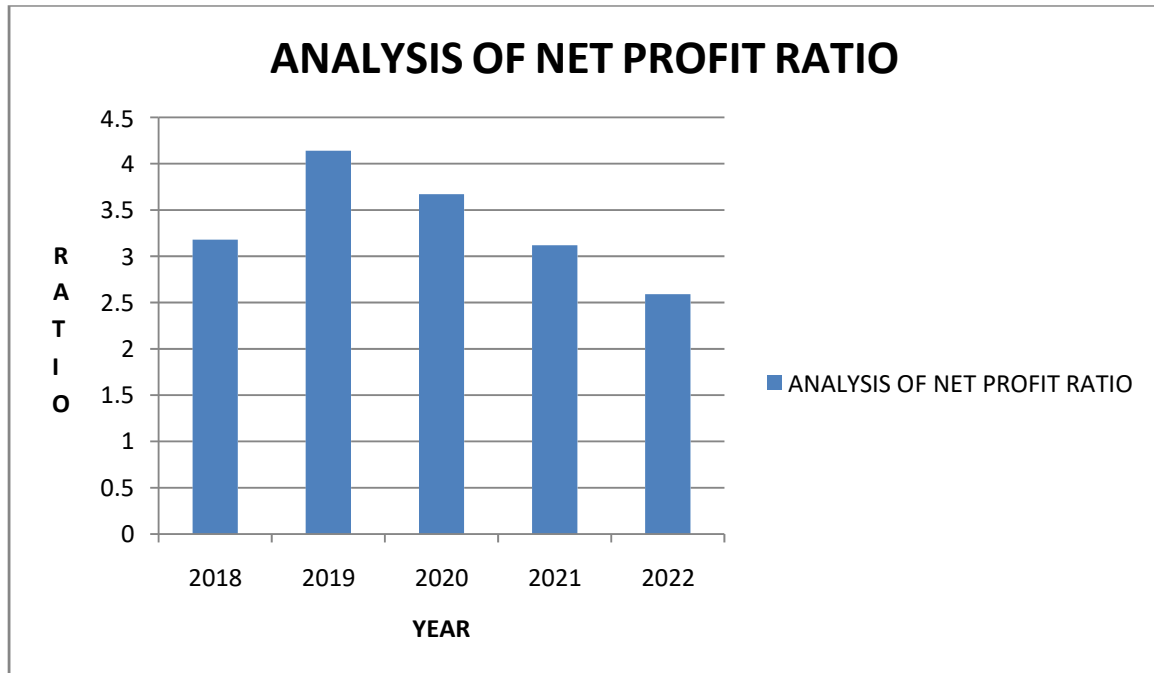
ANALYSIS OF NET PROFIT

TABEL NO: 4.2.4

YEAR	NET PROFIT	NET SALES	NET PROFIT RATIO
2018	1170.29	36732.8	3.18
2019	2153.8	51964.45	4.14
2020	2864.7	77896.98	3.67
2021	2636.87	84335.83	3.12
2022	2603.04	100326.87	2.59

ANALYSIS OF NET PROFIT RATIO

CHART NO: 4.2.4



INTERPRETAION:

Higher the net profit ratio better is the operational efficiency of the business concern. That happened at the year of 2019. Now the ratio while decreasing trend. It shows the return of shareholder funds is decreasing trend.

4.2.5 WORKING CAPITAL TURNOVER RATIO:

Working capital ratio measures the effective utilization of working capital. It also measures the smooth running of business or otherwise. The ratio establishes relationship between sales/cost of sales and working capital. Working capital turnover ratio is calculated with the help of the following formula.

$$\text{WORKING CAPITAL RATIO} = \frac{((\text{SALES}/\text{COST OF SALES})/\text{NET WORKING CAPITAL})}{\text{NET WORKING CAPITAL}}$$

NET WORKING CAPITAL-CURRENT ASSETS-CURRENT LIABILITIES

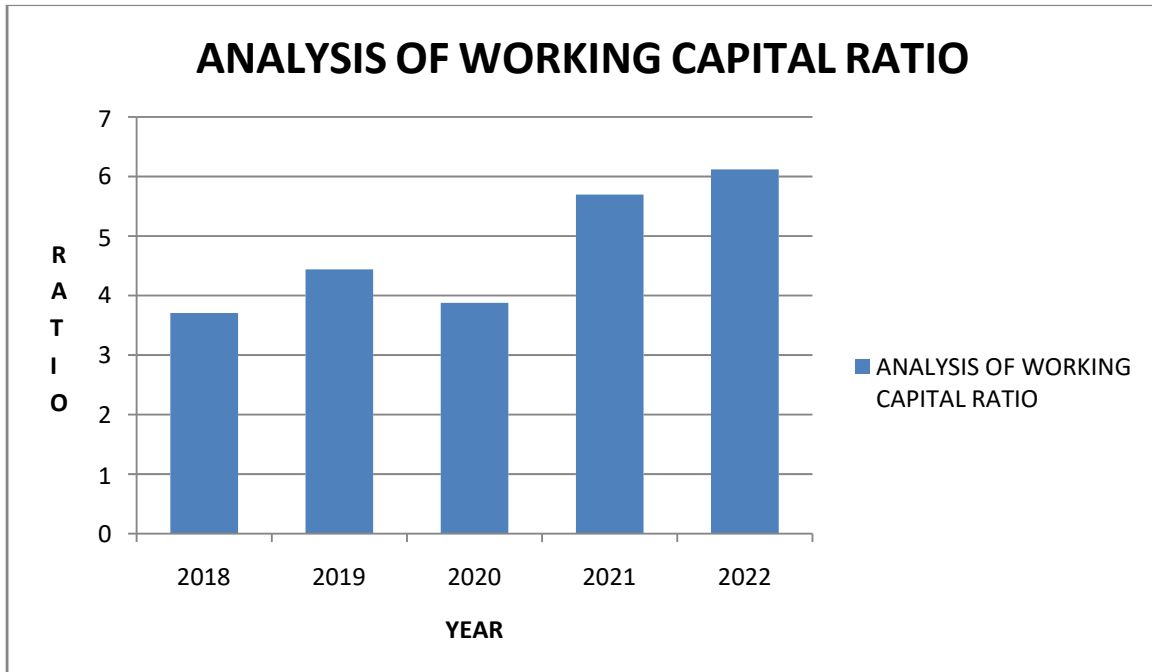
ANALYSIS OF WORKING CAPITAL RATIO

TABEL NO: 4.2.5

YEAR	SALES	NET WORKING CAPITAL	WORKING CAPITAL RATIO
2018	36732.80	9889.51	3.71
2019	51964.45	11697.42	4.44
2020	77896.98	20173.93	3.88
2021	84335.83	14786.75	5.7
2022	100326.87	16382	6.12

ANALYSIS OF WORKING CAPITAL RATIO

CHART NO: 4.2.5



INTERPRETATION:

Working capital ratio measures the effective utilization of working capital. It also measures the smooth running of business or otherwise. The effective utilization of working capital is entered at the year of 20011. The ratio is increasing trend.

4.2.6 FIXED ASSETS TURNOVER RATIO:

This ratio determines of utilization of fixed assets and profitability of a business concern. Higher the ratio more is the efficiency in utilization of fixed assets.

$$\text{FIXED ASSETS TURNOVER RATIO} = \text{COST OF SALES} / \text{NET FIXED ASSETS}$$

A lower ratio is the indication of under utilization of fixed assets.

ANALYSIS OF CASH TURNOVER RATIO

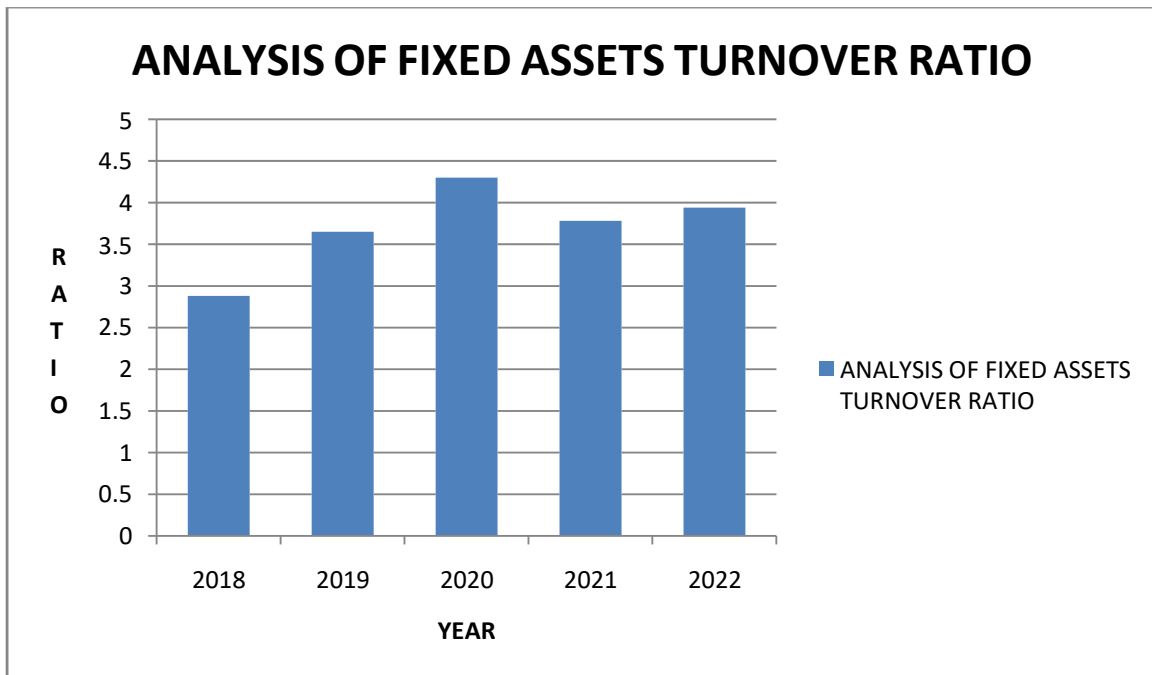
TABEL NO: 4.2.6

(RUPEES IN LAKHS)

YEAR	SALES	NET FIXED ASSETS	CASH TURNOVER RATIO
2018	36732.8	12727.06	2.88
2019	51964.45	14226.74	3.65
2020	77896.98	18102.37	4.3
2021	84335.83	22260.37	3.78
2022	100326.87	25444.49	3.9

ANALYSIS OF FIXED ASSETS TURNOVER RATIO

CHART NO: 4.2.6



INTERPRETATION:

This ratio determines efficiency of utilization of fixed assets and profitability of a business concern. Higher the ratio more is the efficiency in utilization of fixed assets. This ratio is increasing trend up to the year of 2020 then it will become decreasing. It shows the firm must take care of the utilization of fixed assets and profitability.

4.2.7 CAPITAL TURNOVER RATIO:

Managerial efficiency is also calculated by establishing the relationship between cost of sales or sales with the amount of capital invested in the business. Capital turnover ratio is calculated with the help of the following formula.

$$\text{CAPITAL TURNOVER RATIO} = \text{COST OF SALES} / \text{CAPITAL EMPLOYED}$$

Capital employed = total assets - current liability

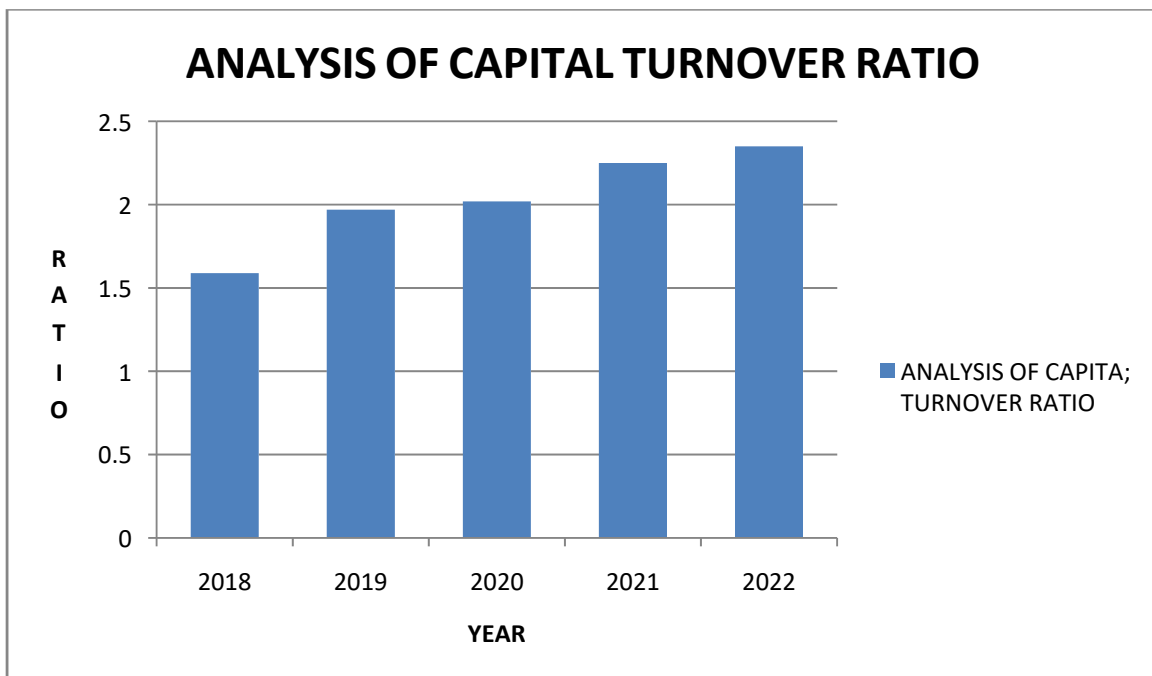
ANALYSIS OF CAPITAL TURN OVER RATIO

TABEL NO: 4.2.7

YEAR	SALES	CAPITAL EMPLOYED	CAPITAL TURNOVER RATIO
2018	36732.8	22959.93	1.59
2019	51964.45	26255.52	1.97
2020	77896.98	28438.55	2.02
2021	84335.83	37389.48	2.25
2022	100326.87	42568.85	2.35

ANALYSIS OF CAPITAL TURNOVER RATIO

CHART NO: 4.2.7



INTERPRETATION:

Managerial efficiency is also calculated by capital turnover ratio. The effective managerial efficiency is shown at the year of 2022. The ratio is increasing trend.

4.2.8 WORKING CAPITAL RATIO:

It compares with stock and overall working capital.

STOCK TO WORKING CAPITAL RATIO=STOCK/WORKING CAPITAL

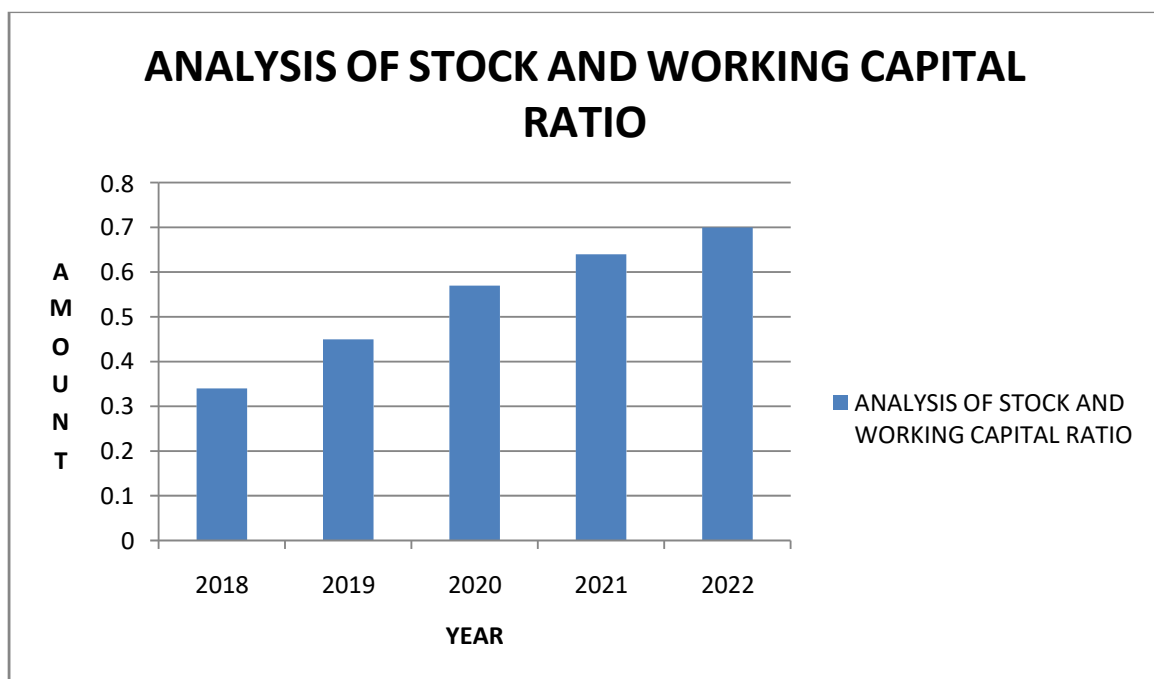
ANALYSIS OF STOCK TO WORKING CAPITAL RATIO

TABEL NO: 4.2.8

YEAR	STOCK	WORKING CAPITAL	RATIO
2018	3394.41	9889.51	.34
2019	5303.88	11697.42	.45
2020	11560.23	20173.93	.57
2021	9598.93	14786.75	.064
2022	11544.02	16382	0.7

ANALYSIS OF STOCK AND WORKING CAPITAL RATIO

CHART NO: 4.2.8



INTERPRETATION:

The stock and working capital ratio is increasing trend from the starting year of the study. The highest value entered at the year of 2022. This ratio shows the working capital effectiveness.

4.2.9 DEBTOR TURNOVER RATIO:

Debtor turnover ratio is also called Receivables Turnover ratio or Debtors velocity. A business concern generally adopts different methods of sales. One of them is selling on credit. Debtor's turnover ratio measures the number of times the receivables are rotated in a year in terms of sales.

$$\text{DEBTOR TURNOVER RATIO} = \frac{\text{TOTAL SALES}}{\text{CLOSING DEBTORS}}$$

The objective of the ratio is to measure the liquidity of receivables or ascertaining the average period over which receivables are uncollected.

ANALYSIS OF DEBTORS TURNOVER RATIO

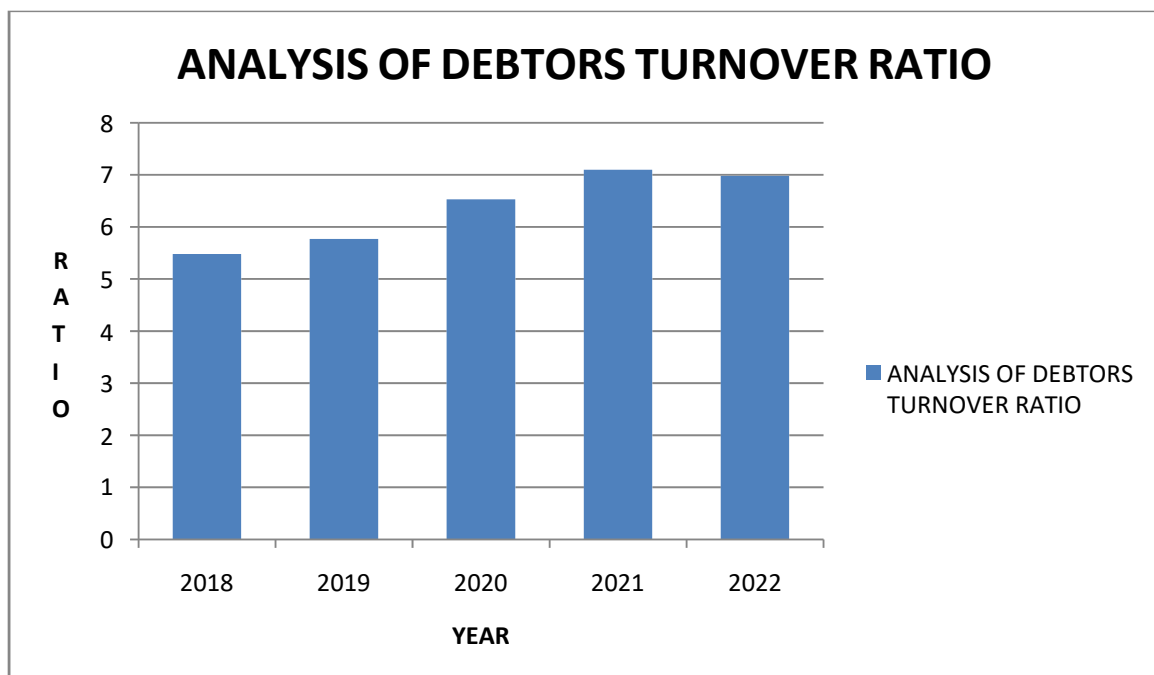
TABEL NO: 4.2.9

(RUPEES IN LAKHS)

YEAR	TOTAL SALES	DEBTORS	DEBTORS TURNOVER RATIO
2018	36732.8	6696.36	5.48
2019	51964.45	9002.79	5.77
2020	77896.98	11922.53	6.53
2021	84335.83	11867.71	7.1
2022	100326.87	14353.11	6.98

ANALYSIS OF DEBTORS TURNOVER RATIO

CHART NO: 4.2.9



INTERPRETATION:

Debtor's turnover ratio measures the number of times the receivables are rotated in a year in terms of sales. The highest rotated time is entered at 2022. The average rotated period is 9 to 10.

4.2.10 PROPRIETARY FUND RATIO:

This ratio compares the shareholders funds or owner's funds and total tangible assets. In other words this ratio expresses the relationship between the proprietor's funds and the total tangible assets.

$$\text{PROPRIETARY FUND RATIO} = \text{SHARE HOLDERS FUNDS} / \text{TOTAL TANGIBLE ASSETS}$$

This ratio shows the general soundness of the company. It is of particular interest to the creditors of the company as it helps them to ascertain the share holder's funds in the total assets of the business.

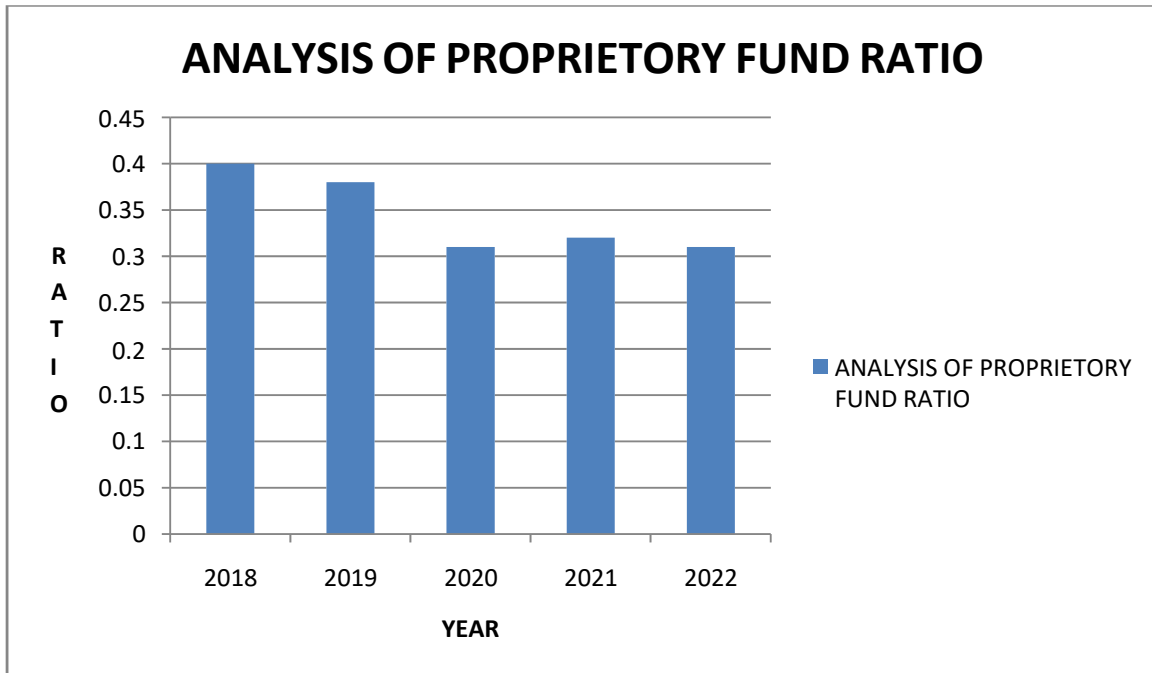
ANALYSIS OF PROPRIETARY FUND RATIO

TABEL NO: 4.2.10

YEAR	PROPRIETARY FUNDS	TOTAL TANGIBLE ASSETS	RATIO
2018	10253.92	25448.32	.40
2019	12185.35	31446.88	.38
2020	14213.11	45234.53	.31
2021	16118.49	48880.29	.32
2022	17990.04	57326.37	.31

ANALYSIS OF PROPRIETARY FUND RATIO

CHART NO: 4.2.10



INTERPRETATION:

This ratio shows the general soundness of the company. The firm's soundness is normal in every year. The highest value entered in the year of 2018.

FINDINGS

1. The star heat treaters has a current ratio for every year more than 1 only, therefore it may be every sufficient liquidity position of the firm.
2. The star heat treaters Ltd, operating profit after tax to sales ratio last year is 2.59%. This ratio also indicates the firm's capacity to withstand adverse economic conditions. The effective utilization of working capital is entered at the year of 2022. The ratio is in increasing trend.
3. Working capital ratio measures the effective utilization capital in every year. It also measures the smoothing running of business.
4. The quick ratio is a more penetrating test of liquidity than the current ratio, yet it should be used cautiously. But the star heat treaters high value of quick ratio can offer from the shortage of funds if it has slow paying, doubtful and long-duration outstanding debtors.
5. The stock and working capital ratio is increase of 0.70 in 2022. It depends on the stock and working capital.
6. The effective managerial efficiency is shown at the year of 2022. The capital turnover ratio it will be increase in every year.

SUGGESTIONS

1. The liquidity position of the company shall be maintained.
2. The company can increase the profit by reducing the variable expenditure.
3. Reducing the capital employed and increasing the profit would increase the profitability position of the company.
4. The company has to increase the cash and bank balance to meet the emergency thus it can also increase its liquidity ratio
5. The company should have a strict credit control, as the credit period allowed to the debtors and the credit period allowed by the creditors have maximum differences.
6. The company must concentrate on paying off its creditors quickly, so that its creditor's interest can be safeguarded.

CONCLUSION

Working capital Is the lifeblood and never center of a business. Working capital is very essential to maintain the smooth running of a business. No business can run successfully without adequate amount of working capital. Working capital is a means to run the business smoothly and profitability and not an end.

The performance of manufacturing sector is linked to overall economic performance. The key success factors include,

- ❖ Industry demand and pricing
- ❖ Scale of operations
- ❖ Overall cost positions
- ❖ Financial flexibility and liquidity
- ❖ Labour relations

One of the most important aspects in the financial functions is the working capital management. It directly affects the profitability of the organizations. The study is made to provide an idea about the way in which a decision can be taken in the field of finance for better progress.

If the company maintains good accounting receivables management and cash management, the company can grow till further. There are certain exogenous factors like labour problem and marketing problem. Such problems should also be concentrated and solved for amicable financial management.

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