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A STUDY ON FINANCIAL PERFORMANCE THROUGH RATIO ANALYSIS IN DIXION TECHNOLOGIES, TIRUPATI.

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ABSTRACT:

This project is done in Dixon Technologies, Tirupati on the topic of financial performance analysis through ratio analysis. The main purpose of this study is to determine, forecast and evaluate the best of economic conditions and company's performance in the future. The other purpose of this study is to analyse the financial statement and then give information for financial managers to make through decisions about their business. The financial statement applies tools, analytical techniques and required methods for business analysis. It is a diagnostic tool for evaluating financing activities, investment activities and operational activities as well as an assessment tool for management decisions and other business decisions. The analysis of financial statements, respectively the analysis of the financial reports is used by managers, shareholders, investors and all other interested parties regarding the company's state. Managers use financial reports to see the situation in which the company stands and then provide information to shareholders, to see how reasonable are the investments made in the company. To potential investors, the analysis of the financial statements of the company is very important, because, first they want to know the actual state of the company and then decide whether to invest or not. The period considered for the study is five years i.e. from financial year 2018-19 to 2022-23.

KEY WORDS: ratio analysis position, financial tools weaker position.

Introduction

This chapter provides the overview of financial performance analysis through ratio analysis, discussing the types of ratio analysis in the firm, classifications, of the ratios. It also includes a company and industry profile of Dixon Technologies, Tirupati. Ratio analysis is a money related assessment procedure used to survey an endeavor's general presentation via reviewing different proportions determined from its monetary explanations those proportions can give bits of knowledge into the organization's productivity, liquidity, proficiency, dissolvability, and normal financial wellbeing. a couple of normal proportions incorporate liquidity proportions (which incorporate present day proportion and brief proportion), as well as productivity proportion (which incorporate net overall revenue and web profit edge), proficiency proportions (which incorporates stock turnover and resource turnover), and dissolvability proportions (along with obligation to-value proportion and interest inclusion proportion).

Review of Literature

Mylyono.S., D jurnahir.D.& Ratnawati.K.,(2018) The Effect of Capital Working Management On The Profitability. The purpose of this study is to examine the effect of working capital management on firm's profitability. Mc study is based on a sample of 164 manufacturing firm listed on the main board of bursa Malaysia, covering a span of five years from 2007 to 2011.A discriminatory panel regression and Pearson correlation are used to test the hypotheses, The empirical evidence found that there is exigency of significant positive relationship between exogenous variables, the average collection period. Inventory conversion period and firm's size and its endogenous variable, which is a firm profitability T findings also show a significant inverse relationship between debt ratio (leverage) And firm's profitability, but the firm's capability to translate working capital into cash promptly, as proxy in log cash conversion cycle has no impact on firm's profitability.

Afrifa .G.A.(2016)NET WORKING CAPITAL, CASH FLOW. The result indicates a strong concave relationship between net working capital and Performance in the absence of cash flow; however, the relationship becomes convex after taking cash flow into consideration. The results further shows that firms with cash flow below the sample median exhibit lower investment in working capital, but firms with cash flow above the sample median have higher investment in working capital. The result suggests that managers should consider their firms cash flow when determining the appropriate investment to be made in working capital, so as to improve performance.

Kumar Mohan M.S., Vasu.V., &Narayana. (2016)RATIOS The study has been made through using different ratio. Mean standard deviation and Alman’s Z score approach to study the financial health of the company. The study reveals there is a positive correlation between liquidity and profitability ratio except return on total assets as well as Z score value indicate good health of the company

Jothi .K., & Geethalakshmi.A., (2016) PROFITABILITY RATIO This study tries to evaluate the profitability and financial position of selected companies of Indian automobile industry using statistical tools like, ratio analysis, mean, standard deviation, correlation. The study reveals the positive relationship between profitability, short term and long term capital.

NEED FOR STUDY

Studying ratio analysis is essential because it provides insights into a company's financial performance, liquidity, solvency, and efficiency. It helps in assessing the financial health, identifying trends, comparing performance with competitors, making informed investment decisions, and detecting potential financial risks. Understanding ratio analysis is fundamental for investors, creditors, managers, and other stakeholders to evaluate the financial condition and operational efficiency of a business.

SCOPE OF THE STUDY

The scope of the study is limited the collecting financial data published in the annual reports of the company every year. The analysis is done the suggest the possible solutions. The study is carried out for 5 years (2018-2023)

OBJECTIVES OF THE STUDY

The following are the objectives of the study:

- To study the financial statement of Dixon limited(2018-2023)
- To access the liquidity position of the company.
- To analyze the Profitability position of the company
- To analyze the operation efficiency of the company and facilitate decision making.

Research Methodology

Research Tools:

The main aim of the study is to know the financial performance of the DIXON technologies (INDIA) limited. Yerpedu, tirupathi dist. Ap.

DATA ANALYSIS

The following tools and techniques used in this study

- Ratio analysis
- Bar charts

LIMITATIONS OF THE STUDY

- The study was limited to only five years financial data 2018 to 2023
- The study was purely based on secondary data which were taken primarily from Published annual reports of Dixon technologies.

Data Analysis and Interpretation

1.LIQUIDITY RATIO'S:

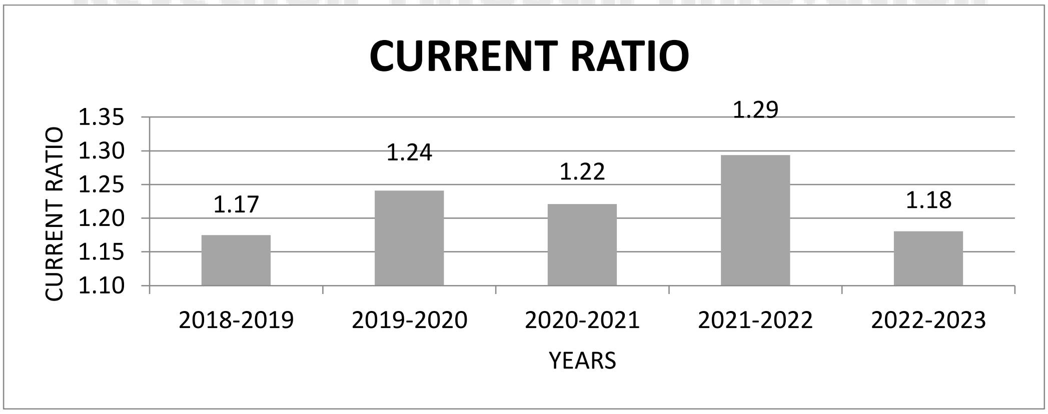
CURRENT RATIO:

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

TABLE:

Years	Current Assets(cr)	Current Liabilities(cr)	Current Ratio
2018-2019	846.20	720.23	1.17
2019-2020	989.70	797.45	1.24
2020-2021	1,894.73	1,552.03	1.22
2021-2022	1,905.67	1,473.13	1.29
2022-2023	1,554.13	1,316.43	1.18

GRAPH



Interpretation: The standard norms for current ratio are 2:1. It is evident that current ratio from 2018-19 to 2022-23 was 1.17, 1.24, 1.22, 1.29, 1.18, the above current ratio show the fluctuating trend. The company not maintained standard current ratio and liquidity position.

CASH RATIO:

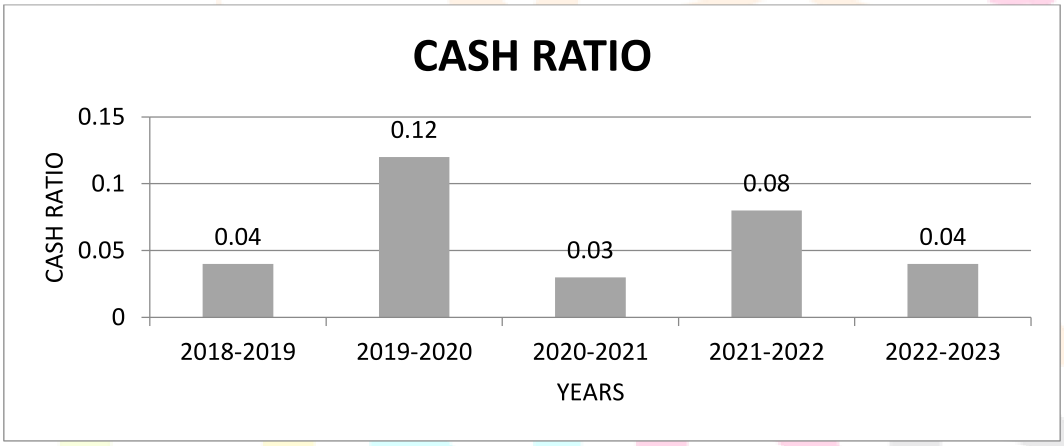
The ratio between cash plus marketable securities and current liabilities.

$$\text{Cash Ratio} = \frac{\text{Cash \& bank balances}}{\text{Current liabilitie}}$$

TABLE:

Year	Cash Bank Balances (cr)	Current Liabilities (cr)	Ratio
2018-2019	27.54	720.23	0.04
2019-2020	97.69	797.45	0.12
2020-2021	40.93	1,552.03	0.03
2021-2022	116.47	1,473.13	0.08
2022-2023	49.21	1,316.43	0.04

GRAPH



Interpretation: The standard norms for cash ratio is 0.5:1,. It is cash ratio from 2018-19 to 2022-23 are 0.04, 0.12 0.03, 0.08, 0.04, the above cash ratio show that fluctuating trend .the company not maintained standard cash Equitant. So it was low in liquidity position.

LEVERAGE RATIO'S

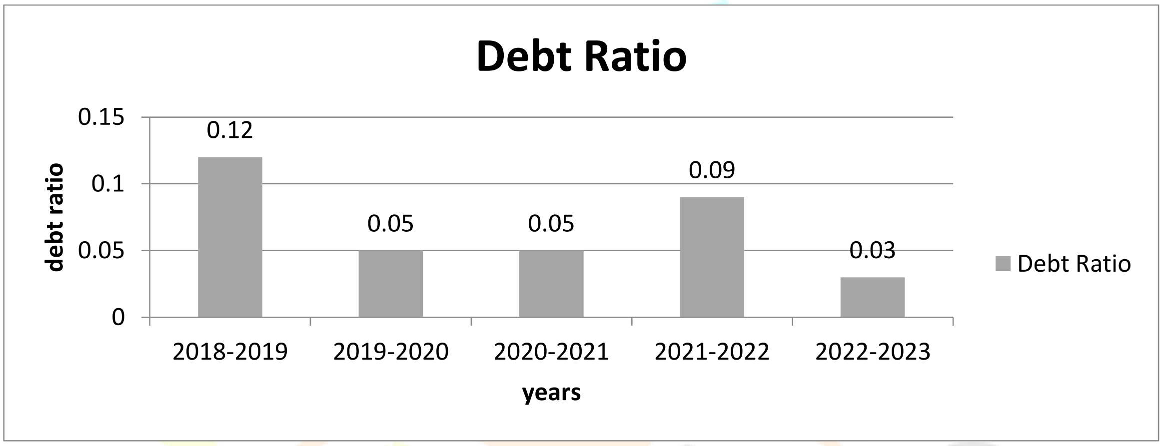
DEBT RATIO:

$$\text{Debt Ratio} = \frac{\text{Total debt}}{\text{Total debt + Net worth}}$$

TABLE:

Years	Total Debt (cr)	Total assets	Debt Ratio
2018-2019	134.52	1103.37	0.12
2019-2020	72.55	1421.29	0.05
2020-2021	127.63	2419.01	0.05
2021-2022	245.85	2725.85	0.09
2022-2023	82.22	2732.05	0.03

GRAPH



Interpretation: The standard norms for debt ratio are 0.4, It is year from 2018-19 to 2022-23 are 0.12, 0.05, 0.05, 0.09, 0.03, above graph show that debt ratio of the company is decreasing trend. While having a lower debt ratio can sometimes be seen as a positive sign of financial stability and lower risk

ACTIVITY RATIOS

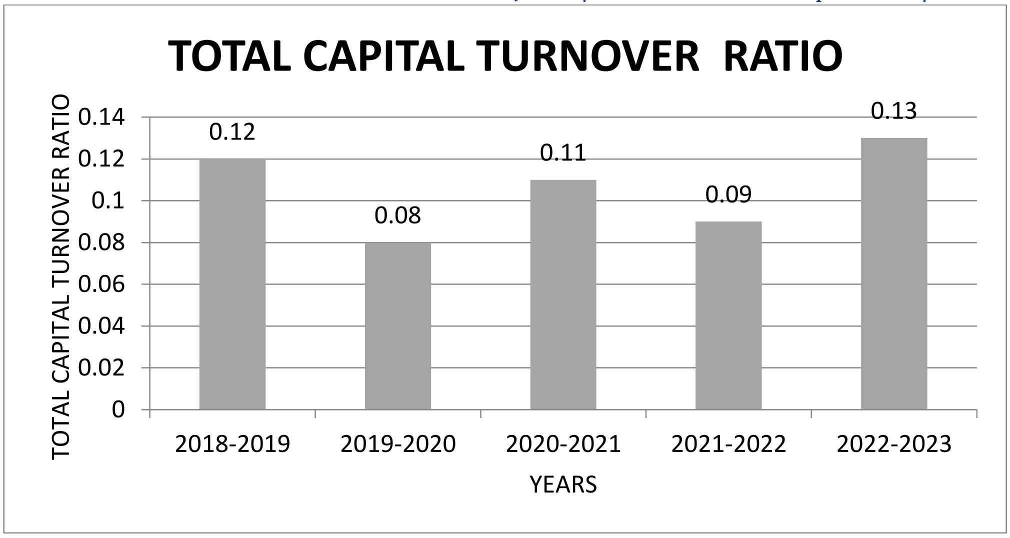
TOTAL CAPITAL TURNOVER RATIO:

$$\text{Total Capital Turnover Ratio} = \frac{\text{sales}}{\text{Capital employed}}$$

TABLE:

Years	Sales (cr)	Capital Employed (cr)	Total Capital Turnover Ratio
2018-2019	46.5	383.11	0.12
2019-2020	52.5	623.84	0.08
2020-2021	99	866.98	0.11
2021-2022	113.25	1,238.49	0.09
2022-2023	145.5	1,122.63	0.13

GRAPH



Interpretation The standard norms for total capital turnover ratio is 1.5.The earlier years 2018-19 to 2022-23 are the total capital turnover ratio the graph show that fluctuating trends. The company not maintained capital turnover ratio.

PROFITABILITY RATIO

GROSS PROFIT RATIO

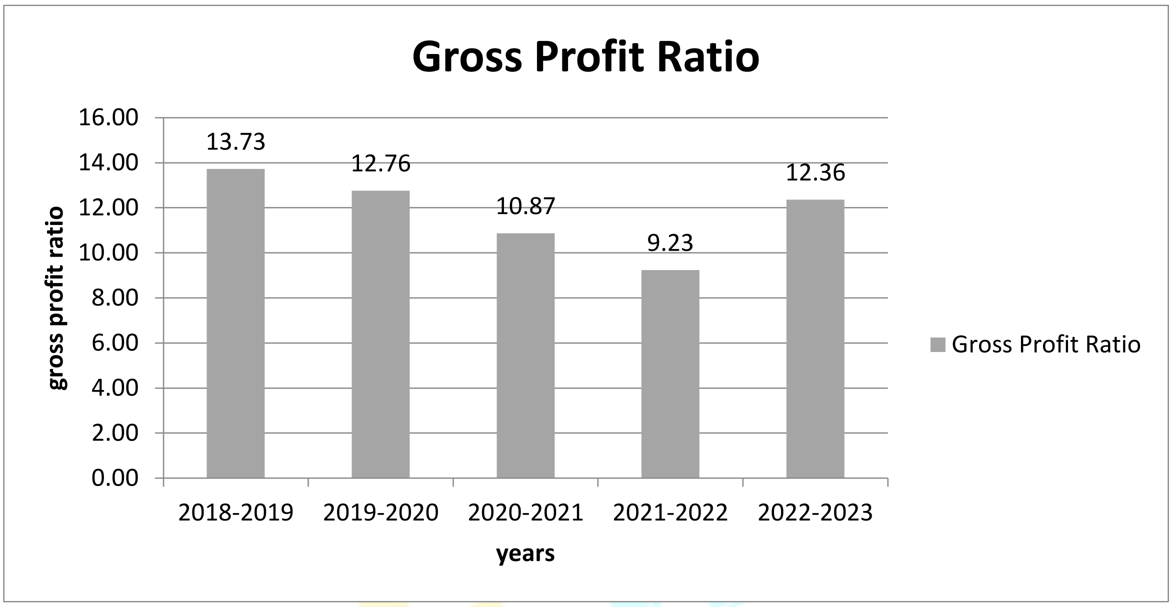
The efficiency with which management produces each unit of product. The ratio indicates the average spread between the cost of goods sold and the sales revenue

$$\text{Gross Profit Ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

TABLE:

years	Gross Profit (cr)	Net Sales (cr)	Gross Profit Ratio
2018-2019	346.70	2,525.77	13.73
2019-2020	468.59	3,671.50	12.76
2020-2021	616.29	5,670.60	10.87
2021-2022	691.00	7,484.41	9.23
2022-2023	865.00	6,997.40	12.36

GRAPH



Interpretation: The above graph evident that gross profit ratio from 2018-19 to 2022-23 was 13.73, 912.76, 10.87, 9.23, 12.36. The gross profit ratio at 2019 it was 13.76 and it decreased to 9.23 at 2022 and it increased to 12.36 at 2023.

Findings

- It is observed that the company had not maintained the ideal ratio of current ratio from 2018-19 to 2022-23
- It is observed that the company liquidity position is not good from 2018-19 to 2022-23
- It is observed that the debt ratio indicates that lower debt ratio can sometimes be seen as a positive sign of financial stability and lower risk in 2018-19 to 2022-23
- Working capital turnover ratio that indicate that company is investing too much on accounts receivable and inventory to support sales. 2018-19 to 2022-23
- It is observed that the company had not maintained gross profit ratio in the years of 2018-19 to 2022-23 its less than 50%

Suggestions

- Dixon technologies need to maintain proper liquidity position.
- The company is borrowed more money it pure risk factor to company that maintain some cash in company
- In case of the paying interest that company not able to pay interest that company need to increase sales
- That company not using its capital its should use capital effectively to generate revenue
- By the stock turnover we know that company is week in sales need to improve in sales

Conclusion

After analyzing financial statement of Dixon technologies, Tirupati. In the years (2019 to 2023) the last five financial years, the liquidity position of company is not well, and also company needs to focus on effective utilization of assets. The overall financial position of the company is good

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