

# A study of the financial ratio for selected ceramic companies of Gujarat – An application of Efficiency Ratios

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## ABSTRACT

*It is trusted that the main earth tiles were delivered seven to eight thousand years back in the region now known as the Holy Land. Many sources freely confirm that the real known history of tiles can be followed back the extent that the fourth thousand years BC to Egypt. Back then, in Egypt, tiles were utilized to adorn different houses. Mud blocks were dried underneath the sun or prepared, and the primary coatings were blue in shading and were produced using copper, exceptionally choice. This Paper Presented an application of Efficiency Ratios for the selected five companies of Ceramic Industry located in Gujarat. The researchers have mainly focus on three ratios. An analysis shows the fruitful outcome which may help the ceramic industry in future.*

## 2. Introduction

The proficiency proportion is normally used to investigate how well an organization utilizes its advantages and liabilities inside. A proficiency proportion can compute the turnover of receivables, the reimbursement of liabilities, the amount and use of value, and the general utilization of stock and hardware. This proportion can likewise be utilized to track and break down the execution of business and venture firms.

Investigators utilize proficiency proportions, otherwise called movement proportions, to quantify the execution of an organization's here and now or current execution. These proportions utilize numbers in an organization's present resources or current liabilities, measuring the operations of the business.

A proficiency proportion measures an organization's capacity to utilize its resources for create pay. For instance, an effectiveness proportion frequently takes a gander at parts of the organization, for example, the time it takes to gather money from clients or the measure of time it takes to change over stock to money. This makes proficiency proportions essential, in light of the fact that a change in the productivity proportions more often than not means enhanced gainfulness.

These proportions can be contrasted with peers in a similar industry and can recognize organizations that are better overseen in respect to the others. Some normal productivity proportions are debt claims turnover, settled resource turnover, deals to stock, deals to net working capital, creditor liabilities to deals and stock turnover proportion.

## 3. Methodology:

The study is focuses on selected five companies of ceramic industries i.e. Kajaria Ceramics Ltd. (KCL), Somany Ceramics Ltd.(SCL), AGL tiles world (Asian Granito India Ltd) (AGL), Cera Sanitary ware Ltd.(CERA) and NITCO Ltd. (NITCO). An application of working capital turnover, Current Asset Turnover, Fixed Assets Turnover have been studied to test the administrative efficiency of selected ceramic industries of Gujarat state

### 3.1 WORKING CAPITAL TURNOVER

The working capital turnover proportion measures how well an organization is using its working capital for supporting a given level of offers. Since working capital is present resources less present liabilities, a high turnover proportion demonstrates that administration is as a rule exceptionally proficient in utilizing an organization's transient resources and liabilities for supporting deals. Interestingly, a low proportion demonstrates a business is putting resources into excessively numerous records receivable and stock resources for supporting its deals. This may prompt an over the top measure of terrible obligations and out of date stock.

$$\text{WCT Ratio} = \frac{\text{Total Sales}}{\text{Working Capital}}$$

### 3.2 CURRENT ASSET TURNOVER RATIO

Current Asset Turnover - a movement proportion measuring association's capacity of producing deals through its present resources (money, stock, records of sales, and so on.). It can be ascertained by partitioning the company's net deals by its normal current resources, and it demonstrates the quantity of turns made by the present resources of the endeavor. In the event that the present resource turnover esteem is low there are following approaches to expand it: diminishing the stock to the base level, which would permit the ceaseless operational process; deals advancement and diminishing the completed merchandise stock; enactment of the records receivable gathering process, and so forth.

The construction of ratio based on the net sales of the firm towards average current assets and presented as:

$$\text{CAT Ratio} = \frac{\text{Net Sales}}{\text{Average Current Assets}}$$

### 3.3 FIXED ASSETS TURNOVER RATIO (FAT)

The settled resource turnover proportion is, by and large, utilized by experts to gauge working execution. It is a proportion of net deals to settled resources. This proportion particularly measures how capable an organization is to produce net deals from settled resource ventures, in particular

property, plant and gear, net of devaluation. In a general sense, a higher settled resource turnover proportion demonstrates that an organization has all the more successfully used interest in settled advantages for produce income.

For instance, consider the distinction between an Internet organization and an assembling organization. An Internet organization, for example, Facebook, has an altogether littler settled resource base than an assembling monster, for example, Caterpillar. The ratio value can be computed as:

$$\text{FAT Ratio} = \frac{\text{Net Sales}}{\text{Net Property and Equipments}}$$

Table 1.1 presents the computed values of working capital turnover ratios of selected five ceramic companies under study for 2007 to 2016.

For the financial year 2007 NITCO was computed with higher value of WCT 13.67%. It cleared that during this year the firm has given more spending adaptability and can help maintain a strategic distance from money related inconvenience. It encountered more interest for its products. SCL was rated with 6.23 of WCT value and stood on second position during 2007. AGL was rated on 5.06 WCT and was placed on third position. KCL ranked fourth with 4.59 WCT. CERA was computed with 2.29% and was ranked last amid the ceramic industry for the year 2007. For financial year 2008, KCL was computed with higher value of WCT as 9.19. SCL and NITCO were computed with 8.12 and 8.07 respectively. AGL and CERA were rated on fourth and fifth rank with 3.84 and 3.23 of WCT during 2008. For this year KCL, SCL and CERA improved in value of WCT, whereas AGL and NITCO declined its value of WCT. For the financial year 2009, KCL declined by 3.01% in WCT compare to last year, and was ranked fourth. CERA increased its WCT value during this year it was computed with 13.23 of WCT which was second highest for this year. SCL stood on third position with 11.06 WCT value. AGL was computed with lowest value of WCT and ranked last in 2008. NITCO was computed with 52 of WTC value and ranked first during this year. For the financial year 2010, SCL gained and was ranked first with 14.15 WCT value. NITCO delinked its continuity and it was recorded on second position with 6.46 WCT value. CERA also declined for this year compare to last year. It was computed with 5.58 WCT value. KCL and AGL were computed with 2.53 and 2.20 of WCT respectively.

During 2011, NITCO again gained higher value of WCT. It was computed with 84.42 WCT value and was ranked first. SCL was ranked with 33.18 of WCT value and ranked second. KCL, AGL and CERA were computed with 4.91, 2.38 and 3.94 of WCT values respectively. For the year 2012, SCL increased its WCT value by 0.04% it was computed with 33.22 WCT and ranked first for this year. NITCO was ranked second with WCT of 5.45.

It has unbalanced its financial scenario during this year. AGL and CERA were computed with 4.59 and 4.42 WCT value and KCL was ranked on fifth position with 2.75 WCT value. During 2013, SCL rated the selected companies and was ranked first with higher value of WCT 16.47. Compare to last year company has declined almost half of its WCT value. For this year KCL was computed with 8.25 WTC, AGL was computed with 2.40 and was ranked last, CERA was computed with 5.84 and NITCO was computed with 4.49 value of WCT. For the financial year 2014, NITCO gained its value of WTC; it was computed with 17.01 of WCT and stood first.

CERA computed with 6.6 of WCT value and ranked second. KCL, SCL and AGL was computed with 5.44, 5.29 and 2.13 of WCT during this year. Financial year 2015 was graceful to NITCO again. It has computed with 17.57 of WCT value. SCL was computed with 7.58 value of WCT it was ranked second. KCL was computed for 6.86 value of WCT. CERA and AGL were computed with 3.72 and 2.66 value of WCT respectively. For 2016, NITCO was computed higher with 36.46 of WCT value. SCL was computed with 10.17 of WCT value and ranked second. KCL, CERA and AGL were computed with 7.97, 3.85 and 2.80 of WCT values respectively. The study of last decade for ceramic industries cleared that NITCO was shuffled its working capital turnover highest. The average value of firm was computed 24.57. SCL was ranked with second position with 14.55 values of WCT. KCL was computed with average of 5.87 WCT value of decade. CERA was ranked fourth with average of 5.27 and AGL computed with 3.23 WCT values, which was least among the ceramic companies under study. The discussion above cleared that, high working capital turnover extent can possibly give an engaged edge in industry. It demonstrates the firm experience working capital more circumstances every year, which prescribes that money is gushing all through free organization effortlessly. This gives all the all the more spending flexibility and can help keep up a key separation from cash related burden. In the occasion that experience more enthusiasm for things, the organizations are more unwilling to bear stock insufficiency that once in a while went with rising arrangements.

Table 1.2 for the basic standard of ratio was computed per rupee turnover of companies for sale. For financial year 2007 KCL was computed with 1.87 CAT it shows that the firm gained 0.87 percent in sales during this year. SCL was computed with 3.06 value of CAT it shows that the firm has earned its value by 2.06% for this year. AGL was recorded with 2.38 had a gain of 1.38% in sales. CERA was computed with 2.78 it has recorded for 1.78% earning in sales and NITCO was computed with 1.21, the firm has lowest value of 0.21% of sales during this year. For the financial year 2008, KCL increased its value of CAT and was recorded with 2.35. The firm was recorded with 1.35% gain in sales. SCL also increased its value of CAT by 3.30 for this year it shows 2.30% of earning through sales. AGL was computed with 2.22, for this year the firm increased its total growth of CAT by 1.22%. CERA was computed with 3.19, shows hick of 2.19% in CAT during this year. NITCO was computed with 1.54, it has increased its CAT value compare to last year. For this year the firm computed with 0.54% gained value is CAT value. For the year 2009, KCL was calculated with 2.39 which was increased 0.04% than last year. SCL gained 0.13% than last year; it has 3.43 CAT in 2009. AGL (1.93) reduced its CAT value than last year. For this year the firm has gained 0.93% sales per rupee. CERA (2.44) declined compare to last year. For this year it has earned 1.44% in sales. NITCO (2.25) gained its CAT value compare to last year. For this year the firm has 1.25% of hick in CAT value. For the financial year 2010, KCL was computed with 2.12 (1:1.18) but it has reduced its CAT value than last year. SCL gained by 3.43 (2.43% per rupee in sales). Compare to last year the firm has increased by 0.22% in sales. AGL was computed with 1.30 of CAT value. It has declined its value than last year by 0.63%. The firm gained only 0.30% in sales for 2010. CERA was calculated for 2.15 of CAT during 2010. For this time it had

reduced its CAT value by 0.29%. It has 1:1.15 of earning in sales. NITCO was totaled in CAT by 2.02. The firm declined by 0.23% than 2009. It has gained 1.02% in sales during this year. The year 2011 was gainful to SCL. The firm increased its CAT value by 3.55% for 2011. Compare to 2010 the firm declined its total CAT by 0.10%. KCL increased its CAT value by 0.44% for this year. It has 1:1.62 in sales value. AGL was recorded with 1.17 CAT value. It has declined 0.13%. The firm earned 0.17% in sales during this year. CERA (2.04) declined compare to last year by 0.11%. For 2011 it recorded for 1.04% in sales. NITCO (1.63) decayed by 0.39% than last year. The firm gained only 0.63% for this year. For financial year 2012, Somany ceramics was listed with 5.54% of CAT during 2012. The company has increased with 0.49% for this year. AGL reduced its value by 0.01% than 2011. This year the firm was recorded with 1.16% of CAT value. Among the study of CAT the value of AGL was computed lowest during this year. NITCO was standing with 1.87% of CAT and rated second. This year the firm increased its value of CAT by 0.24%. That cause the firm rated higher than the average value 1.73%. It shows good recovery and financial management of firm for this year. CERA was rated third with 1.83% of CAT value. It has decreased its CAT value compare to last year by 0.21%. It has not reached to the minimum standard. The computed average of firm was 2.09% which was higher than CAT value of firm for 2012. It cleared that the firm failed to manage its financial aspects that cause it has lower CAT during this year. KCL was computed with 1.57% of CAT value during this year. The firm declined by 1.05%. The average standard value of firm was computed 2.24% higher than the value of computed CAT. It shows the firm was failure to manage its current assets during this year. For financial year 2013 KCL was computed lower than its average value 2.24%. It shows that the firm has not managed its current assets properly. SCL was computed with 3.95% of its CAT value during 2013. Compare to last year it has reduced its total assets by 1.59%. AGL was recorded with 1.36% of CAT value. The firm has increased its total turnover for current assets by 0.20% than last year. It was still computed lower than average value. It shows that the firm required managing its current assets properly. CERA was computed by 1.64% of CAT value during 2013. The firm has declined its total current assets by 0.19%. Compare to last year it has lower value than the average standard value. It shows poor performance of management towards current assets turnover management. NITCO was recorded with 1.83% of CAT value. Last year it was computed 1.87%. It shows reduction of 0.04% in CAT value this year. The firm was computed with higher value of CAT than average 1.73%. For last three years the firm was getting success in CAT management. For 2014, KCL increased its value by 0.10% and has reached to the minimum standard. This year the CAT value crossed the declined average. It shows proper management of firm for CAT. SCL reduced its CAT by 1% than last year. This year the firm declined its CAT. Thus it recorded lower than average value. The firm was failure to reach to the minimum standard. It shows inefficiency of management towards CAT. AGL was computed with 1.03%. This year CAT value reduced by 0.33%. The firm again failed here to manage its total current assets turnover. CERA was noticed with 1.18%, which declined its value by 0.48%. This year again the firm failed to reach minimum standards. It shows improper management of firm. NITCO was computed with 1.75% of its CAT value.

The firm was failure in CAT management. This year the firm declined its value by 0.08% than last year. For financial year 2015, KCL was calculated 2.29%, which was higher than the average 2.24%. This year the firm reached with reduction of 0.04% than last year. SCL was computed with 2.67% of CAT value. It was reduced by 0.28% than last year. It was lower than standard value. It shows that the firm was failure in managing its total current assets for this year. AGL increased its CAT value by 0.27% for this year. It was computed 1.30%. The CAT value was computed lower than average 1.51%. The firm was failure in management of CAT for this year. CERA recorded with 1.72% for this year. It has increased by 0.54% than last year. The firm again not reached to the minimum standard average. It cleared that for last four years. AGL was failure to its total current assets turnover ratio. NITCO declined its value of CAT by 0.06% for this year. It was computed 1.69% for this year. The firm was not reached to the minimum standard. The firm was failure for this year in CAT management. For financial year 2016, KCL was computed with 2.61% of CAT value. It was higher than the standard average. For last three years the firm was manage its CAT value. SCL was computed by 3.46% of CAT values. This year firm has increased its CAT value by 1.79% than last year. It still not reached to its standard average. The firm was failure in CAT management for last four years. AGL recorded with 1.31% which has minor change of 0.01% than last year. It did not reach to the standard average values. It shows that the firm again failure in management of CAT for this year. CERA was computed with 1.94% of CAT for 2016. It increased by 0.22% than last year. It did not reach to its standard value 2.09%. Again the firm was failure in CAT management. NITCO computed with 1.54% of CAT. It declined by 0.15% than previous year also it not reached to its standard average. It shows the failure of management in CAT. The standard deviations for each of the firm for 2007 to 2016 have been checked by researcher to know the higher variability in averages. It is noticed that SCL was computed with 0.86% standard deviation n. The average of company for CAT fluctuated higher. Higher value of variations shows the failure status of firm in management of CAT. CERA was recorded with 0.55% on second rank; AGL was computed on third position. KCL was recorded on fourth position and for all the decadal study NITCO was computed with lowest variation in managing its CAT value.

The details for the financial year 2007 to 2016 is discussed about Fixed Asset Turnover Ratio (FAT) are given in table 1.3. The minimum standard for judging the parameter value is decided with the average for all the year under study. Higher the value of FAT shows the good efficiency of management and lower values shows the poor performance of the firm. The average values of the firms under study defined for KCL with 1.59%, SCL with 1.78%, AGL with 0.83%, CERA with 1.12% and NITCO with 2.91%. The average standard values are compared with the calculated values for each of the year and conclusions are derived for the efficiency of the firm for last decade. For the financial year 2007, the value of FAT for KCL was computed 1.73% which was higher than the average value 1.59%. For the financial year 2007 the management has stable position in managing its value of FAT. For the financial year 2008 the firm has increased its value by 0.16% than last year. It was computed with 1.89%, it was computed higher during this year and the firm again proves itself for stronger management of fixed asset turnover. During

2009 it has again gained with 0.17%. This year the firm was computed with 2.06%. The firm gained again for third year in its total fixed assets turnover value. The FAT value is again computed higher than the standard average for this year. Thus, it is cleared again the firm shows stronger management in its fixed asset turnover. For financial year 2010 the gained of 0.69% and recorded with 2.75%. The computed value is again recorded higher for this year than the standard value. For fourth year under study the firm presented its stronger position. For the financial year 2011 the firm reduced its FAT value by 0.03%. It has declined value in computation of FAT by 1.72%. Still it has reached the minimum standard. It has managed its position during this year. This position of firm was warning bell. If the firm was getting failure to manage its level in fixed assets turnover will lose its market value in terms of FAT management. For the financial year 2012 the firm reduced by 0.60% again in FAT value. It was computed with 1.21% for this year. For this year it has computed for failure to manage its value of FAT than the standard value 1.59. After five year the firm was not able to manage its level of fixed asset turnover. During 2013 it has again failed to

manage its value of FAT. The FAT value of firm was computed by 1%. The standard average value was higher than the computed value. It shows the failure status of firm. For the financial year 2014 the firm increased its value by 0.03% and reached to 1.03%. The computed value was still lower than the value of minimum standard 1.59%. For the year 2015 it has gained 0.16% in FAT value. The firm was figured with 1.19% for this year. The firm started to grow steadily but not reached to the minimum standard. For last four year it has failed to manage its fixed assets turnover. During 2016 the firm again gained in its value of FAT by 0.17%. The FAT value of firm for this year was computed 1.36% which was lower than the standard average value 1.59%. The firm has to try to manage its fixed assets turnover. The study for KCL shows that for first five year the firm was stable and had managed its value properly. The healthy ratios of firm were computed for the years 2007 to 2011. It has started to decline by 2012 to 2016. The growth rate of firm for FAT was recorded in increasing order but still it was not reached to the minimum standard value. In future it should have the control on its fixed assets management.

Name of the Company	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Mean	SD	CV (%)
Kajariya Ceramics Ltd. (KCL)	4.59	9.19	6.18	2.53	4.91	2.75	8.25	5.44	6.86	7.97	5.87	2.14	127.9
Somany Ceramics Ltd. (SCL)	6.23	8.12	11.1	14.2	33.2	33.2	16.5	5.29	7.58	10.2	14.6	9.88	14.91
Asian Granito India Ltd (AGL)	5.06	3.84	4.26	2.2	2.38	4.59	2.4	2.13	2.66	2.8	3.23	1.04	298.5
Cera Sanitary ware Ltd (CERA)	2.29	3.23	13.2	5.58	3.94	4.42	5.87	6.6	3.72	3.85	5.27	2.92	61.71
NITCO Ltd. (NITCO)	13.8	8.07	52	6.46	84.4	5.45	4.49	17	17.6	36.5	24.6	24.6	4.05

Source: Computed from the NSE Official Directory, Vol. 14, no. XX/18

Name of the Company	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Mean	SD	CV (%)
Kajariya Ceramics Ltd. (KCL)	1.87	2.35	2.39	2.18	2.62	1.57	2.23	2.33	2.29	2.61	2.24	0.3	2461
Somany Ceramics Ltd. (SCL)	3.06	3.3	3.43	4.65	4.55	5.54	3.95	2.95	2.67	3.46	3.76	0.9	510.7
Asian Granito India Ltd (AGL)	2.38	2.22	1.93	1.3	1.17	1.16	1.36	1.03	1.3	1.31	1.51	0.5	737
Cera Sanitary ware Ltd (CERA)	2.78	3.19	2.44	2.15	2.04	1.83	1.64	1.18	1.72	1.94	2.09	0.6	679.8
NITCO Ltd. (NITCO)	1.21	1.54	2.25	2.02	1.63	1.87	1.83	1.75	1.69	1.54	1.73	0.3	2338

Source: Computed from the NSE Official Directory, Vol. 14, no. XX/18

Name of the Company	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Mean	SD	CV (%)
Kajariya Ceramics Ltd. (KCL)	1.73	1.89	2.06	2.75	1.72	1.21	1	1.03	1.19	1.36	1.59	0.5	588.08
Somany Ceramics Ltd. (SCL)	1.3	1.48	1.65	2.66	2.43	2.51	1.06	1.22	1.37	2.07	1.78	0.6	564.16
Asian Granito India Ltd (AGL)	1.31	1.67	0.93	0.64	0.69	0.63	0.62	0.48	0.7	0.67	0.83	0.4	667.96
Cera Sanitary ware Ltd (CERA)	1.06	1.07	1.31	0.85	1.16	1.42	1.19	0.76	1.07	1.33	1.12	0.2	2914.1
NITCO Ltd. (NITCO)	4.29	5.75	4.11	4.08	2.16	2.49	2.29	1.23	1.43	1.29	2.91	1.5	135.05

Source: Computed from the NSE Official Directory, Vol. 14, no. XX/18

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