

## AN ANALYTICAL STUDY ON SELECTED RATIOS OF CEAT COMPANY

**S. G. VAHORA**

Research Scholar & Adhoc Lecturer  
Arts, Commerce & Science College, Borsad  
Resi.: A – 14, Vohra Society, Vasad Crossing,  
BORSAD-388540 Dist. Anand  
Email ID: [ptc11sajid@gmail.com](mailto:ptc11sajid@gmail.com)  
Mobile: 94265 24220

---

---

### **Abstract**

*The financial statements as prepared and presented annually are of little use for guidance of prospective investors, creditors and even management. If relationship between various related items in these financial statements is established, they can provide useful clues to gauge the financial health and ability of business to make profit. This relation between two related items of financial statements is known as ratio.*

**Keywords:** *Net profit ratio, Return on investment, Progress, Earning per share, Comparison.*

---

---

### **AN ANALYTICAL STUDY ON SELECTED RATIOS OF CEAT COMPANY.**

#### **Objectives of study**

Following are the objectives of the study:

1. To examine Net profit ratio, Earning per share and Return on investments of CEAT company.
2. To study the progress of CEAT company.
3. To evaluate Profitability of CEAT company.

#### **Research period**

The study is for the period of five years from 1<sup>st</sup> April, 2012 to 31<sup>st</sup> March, 2017. (2012-13 to 2016-17)

#### **Types of Data**

These data collected from the annual reports and Website of CEAT Company.

### **INTRODUCTIONS**

Management Accounting is analyzing and extracts the financial information in a useful manner to the managers so on the basis of those information the strategies can be made and the decisions can be taken by the higher-level management. There are so many techniques for the analysis and ratio analysis is one of the most important techniques for that.

The financial data is managed according to the laws of accounts. Those accounts and other financial statements can show the profit or the loss of the concern but it cannot show the analysis of that information in a manner in which the stakeholder can decide or understand the relevance of each figure. So, for making it easier to understand and compare for the stakeholder there are some techniques and ratio analysis is one of that.

#### **Meaning**

Ratio analysis analyzes the proportion of the relation between two different financial data. The two different financial data is generally shown as one in numerator and one in denominator. The relation can be shown in percentages, times or days.

According to Dr. S. N. Maheshwari, "Ratios are the relationships expressed in mathematical terms between figures."

According to Hingorani & Agrawal, "The relationship between to figures expressed mathematically is ratio."

So, in common parlance the ratio can be denoted as, "The analysis of the proportionate rate between two interrelated information of the financial statement is called the ratio analysis."

**IMPORTANCE, UTILITIES OR ADVANTAGES OF THE RATIO ANALYSIS**

The analysis and the extract of the financial data made by the ratio analysis are useful not only for the manager but it is also useful for other parties. Ratios are useful in finding the financial illness of the entity.

The Advantages/Utility of the Ratio Analysis is as given below.

**Comparison:**

As per the information from the financial statements the calculation of the ratios can be made and on that behalf the ratios can be compared with the ratio of last year and also with the ratio of the industry or with the ideal ratios.

**Forecasting Future:**

On the basis of the ratios the future trends can be determined. By using the current and the past ratios the trends regarding the sales, purchases, expenses, debtors and creditors can be determined. It can also be useful in context of calculating the future trend in case of expansion.

**Decision Making:**

The ratio analysis is useful in business decision making. By receiving the information from all the departments of the business, the manager can determine ratios and on the basis of those ratios the future strategies can be determined.

**Control:**

Using the profit ratio, the profitability can be determined, using the expense ratios the expenses can also be calculated, using debtors and creditors recovery ratios the time for payments and the receipts can be calculated so in a way it is easy to have control once the manager knows the ratios.

**Easy Information:**

The analysis and the interpretation of the financial statements done with the help of ratios are understandable by common man also. So, the ratios will make the interpretations of the financial data very easier.

**Managerial Usefulness:**

Ratio analysis is one of the important tools for the managerial accountancy. The financial information of the organization is interpreted in the proper form by the ratio analysis and that interpretation is used by the organization heads for strategies making, decision making and for future organizing. The manager can be able to know about the cost, profit, sales, receivables, payables, assets and liabilities etc.

**Other Stakeholders:**

The other stakeholders other than the owners who also have a right in the business for example: suppliers, costumers, debtors, creditors, bank, governments etc. can also find the ratio analysis useful as they are the ones who are affected by each and every step that company takes.

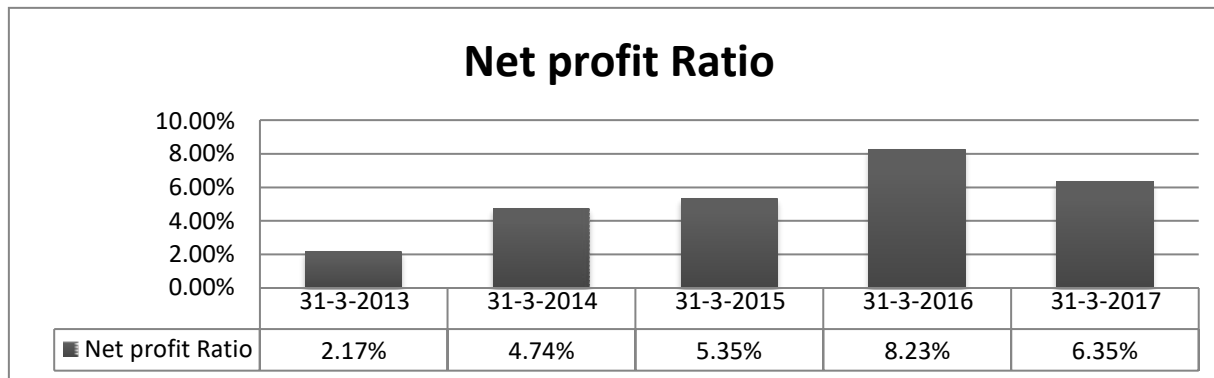
❖ **Selected Ratios of CEAT Company:**

• **Net Profit Ratio** =  $\frac{\text{Net Profit}}{\text{Sales Turnover}} \times 100$

This Ratio shows the relationship between the net profit and the turnover of the business which gives the clear view regarding the profitability of the business. The net profit which has been taken for the said ratio is taken after deducting the tax from the actual net profit.

**Net profit ratios for the year ended 31-3-2013, 2014, 2015, 2016 and 2017 of CEAT Company.**

Particulars	31-3-2013	31-3-2014	31-3-2015	31-3-2016	31-3-2017
<b>Net profit Ratio</b>	2.17%	4.74%	5.35%	8.23%	6.35%



**Analysis**

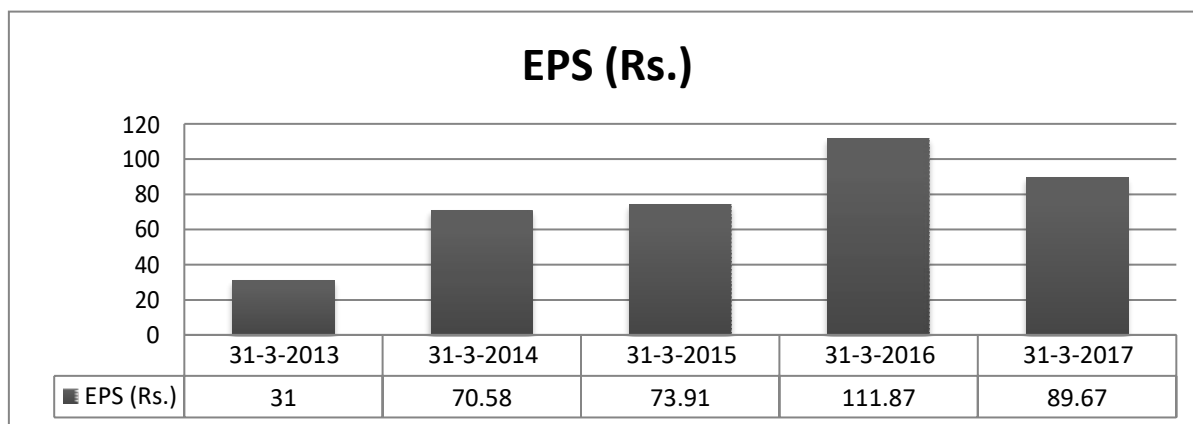
The Net profit ratio of the company is gradually increasing year by year for first four years as 2.17%, 4.74%, 5.35% and 8.23% and then decreases in the year 2016-17 as 6.35%. It can be said that the company was in the progress for first four years and the profitability of the company in the year 2016-17 seems to be decreased.

- Earnings per Share** = 
$$\frac{\text{Profit after tax} - \text{Pref share dividend}}{\text{Number of equity shares}}$$

The amount of earning per one number of equity shares can be shown by this ratio.

**Earnings per share [EPS] for the year ended 31-3-2013, 2014, 2015, 2016 and 2017 of CEAT Company.**

<i>Particulars</i>	31-3-2013	31-3-2014	31-3-2015	31-3-2016	31-3-2017
<i>EPS (Rs.)</i>	31	70.58	73.91	111.87	89.67



**Analysis:**

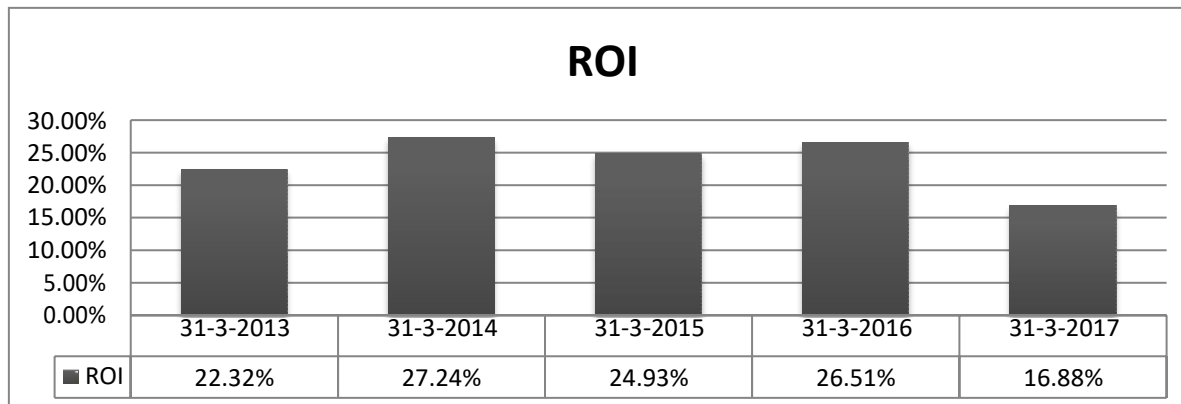
The EPS of the company is gradually increasing year by year for first four years as 31, 70.58, 73.91, and 111.87. And then decreases in the year 2016-17 as 89.67. It can be said that EPS of the company has been increased from year 2012-13 to 2015-16 and reduced in the year 2016-17.

- Return on Investment** = 
$$\frac{\text{Profit before Interest and tax}}{\text{Total Investments (Capital Employed)}} \times 100$$

This ratio shows the rate of the return on the investments made in the company. The profitability of the company can be known by this ratio.

**Return on Investment [ROI] for the year ended 31-3-2013, 2014, 2015, 2016 and 2017 of CEAT Company.**

<i>Particulars</i>	31-3-2013	31-3-2014	31-3-2015	31-3-2016	31-3-2017
<i>ROI</i>	22.32%	27.24%	24.93%	26.51%	16.88%



**Analysis**

The ROI of the company is not stable throughout all the years and it is fluctuating, as we can see that in the year 2012-13 and 2013-14 it has increased from 22.32% to 27.24% and then in the year 2014-15 it has been reduced to 24.93%. Then, it increases to 26.51% in the year 2015-16 and in the year 2016-17 it is observed 16.88% which is the least of all the years.

**FINDING**

From the above study it can be said that, the progress of the company for first four years 2012-13 to 2015-16 is good but in the year ended 31<sup>st</sup> March, 2017 there is a decline in the profitability of the company.

**SUGGESTION**

From the above study it can be suggested that, the progress of the company is good for the first four years and suddenly in the year 2016-17 the profit of the company is reduced. So, company has to try increase in the sales or increase in the profit by decreasing in extra cost. Additionally, company has to maintain proper borrowing with the equity fund for trade on equity.

**LIMITATION OF THE STUDY**

- The data taken here of CEAT company is limited to last five financial years only.
- The point of view of analyzing the above data by us and by the company may vary.
- The data may not be useful in studying any other year except the above listed five financial years i.e. 31<sup>st</sup> March, 2013, 2014, 2015, 2016 and 2017.

**REFERENCES**

1. Dr. H. G. Vohra and S. G. Vahora, "Management Accounting", Garg Publications, Ahmedabad.
2. Prin. T. J. Rana, "Management Accounting", B. S. Shah Prakashan.
3. www.moneycontrol.com
4. www.ceat.com
5. Bhattacharya D. K; "Research Methodology", Excel Books, New Delhi, 2<sup>nd</sup> Edition.
6. Annual reports of CEAT Company.

**AUTHOR'S PROFILE**



Shri. S. G. Vahora got the B.ed. degree from Gujarat university in 2005 and M. Com degree in Cost accountancy from Gujarat university in 2001 and B. Com. in 1999 from S. P. University. He wrote 45 books as main author with ISBN and 25 books as an editor. He also passed Australian Taxation and Company law from Curtin University, Australia in 2006. Recently he passed G Set and NET exam in 2017.