

## **A STUDY ON FINANCIAL RATIO ANALYSIS IN CASA GRANDE PROP CARE PVT.LTD**

**\*M. Yugandhar<sup>1</sup>, and V. Hari Kumar<sup>2</sup>**

Department of management studies, Narayana Engineering College (Autonomous), Gudur

### **ABSTRACT**

Ratio analysis is a fundamental tool in financial analysis, used to evaluate a company's performance and financial health by examining relationships between various financial statement figures. This method enables stakeholders to interpret data effectively through key indicators such as profitability, liquidity, solvency, and efficiency ratios. By comparing historical trends, industry benchmarks, or competitors, ratio analysis helps identify strengths, weaknesses, and potential areas for improvement. It aids in decision-making for investors, creditors, and management by offering insights into operational effectiveness, risk levels, and overall financial stability. Despite its usefulness, ratio analysis has limitations, including sensitivity to accounting methods and inflation, and should be complemented with other analytical tools for comprehensive evaluation. Overall, ratio analysis remains a widely used and valuable technique in financial planning and strategic management, facilitating informed decisions and enhancing organizational transparency and accountability.

**KEYWORDS:** Financial Health, Financial Statements, Profitability Ratios, Liquidity Ratios.

### **INTRODUCTION**

Casa Grande Prop Care Pvt. Ltd. operates a regional office in Tada, Andhra Pradesh, situated at SF.1240, V.K.R.Y Colony, Hero Motors Road, Varadaiahpalem Mandal, Chittoor District – 517541. This office is part of the company's extensive network across India, offering integrated facility management services, including housekeeping, security, pest control, landscaping, and electro-mechanical services. Registered under GST number 37AAECC6203C1Z6 since April 8, 2019, the Tada branch serves various sectors such as manufacturing, logistics, and industrial facilities in Andhra Pradesh. Casa Grande Prop Care, established in 2011, has grown to employ over 11,000 personnel nationwide. The Tada office plays a crucial role in delivering the company's commitment to quality facility management services in the region. Casa Grande Prop Care Pvt. Ltd.'s presence in Tada holds significant strategic value due to the region's growing industrial landscape. The company provides critical facility management services such as housekeeping, security, and maintenance to major manufacturing and logistics units in the area. By operating in Tada, the firm supports regional development and offers employment opportunities to the local workforce. Its services ensure operational efficiency and cleanliness for various industrial clients, boosting their productivity. This branch also strengthens Casa Grande Prop Care's pan-India network by reinforcing its presence in South India's emerging industrial zones. Casa Grande Prop Care Pvt. Ltd. in Tada plays a vital role in boosting the local economy by supporting the operations of large-scale industries through facility management services. Its presence enhances workplace efficiency, hygiene, and safety, which are crucial for industrial productivity. The company also

generates significant employment, offering skill-based jobs to the local population. By maintaining high standards in facility services, it contributes to better living and working environments. Overall, it supports both economic growth and societal well-being in the Tada region.

Ratio analysis is a fundamental tool in financial analysis that evaluates the financial performance and condition of a business through the interpretation of relationships among various items in financial statements. By comparing figures from balance sheets, income statements, and cash flow statements, ratio analysis provides insights into a company's profitability, liquidity, efficiency, and solvency. It serves as a valuable decision-making tool for internal stakeholders like management and external stakeholders such as investors, creditors, and analysts. The core objective of ratio analysis is to identify financial strengths and weaknesses, monitor performance trends over time, and benchmark against industry standards. Common types of financial ratios include liquidity ratios (e.g., current ratio), profitability ratios (e.g., net profit margin), activity ratios (e.g., inventory turnover), and solvency ratios (e.g., debt-equity ratio). Ratio analysis, when used in conjunction with other financial techniques, contributes to strategic planning, budgeting, investment analysis, and risk assessment. Beaver (1966), Demonstrated how financial ratios, especially cash flow and leverage ratios, can predict business failure. Altman (1968), Introduced the Z-score model using multiple ratios to predict bankruptcy. Horrigan (1968), Provided a historical review of ratio analysis and its theoretical foundations. Lev (1969), Discussed how industry averages can serve as targets for financial ratios. Deakin (1972), Used discriminant analysis to predict business failures using financial ratios. Edmister (1972), Studied small business failures and emphasized the usefulness of financial ratios. Pinches & Mingo (1973), Applied multivariate analysis on financial ratios to determine bond ratings. Chen & Shimerda (1981), Evaluated which ratios are statistically the most useful for financial analysis. Ohlson (1980), Developed a probabilistic model using ratios to assess the likelihood of bankruptcy. Platt & Platt (1990), Identified stable predictors among financial ratios for bankruptcy forecasting. Barnes (1987), Provided a comprehensive literature review on the usefulness of ratio analysis. Laitinen (1991), Studied how financial ratios differ across various failure processes in firms. Zavgren (1985), Used logistic regression to assess financial vulnerability using ratios. Taffler (1983), Developed a UK-based predictive insolvency model using financial ratios. Zeller & Stanko (1994), Explored the use of ratio analysis in evaluating earnings quality.

## **REVIEW OF LITERATURE**

The study of financial ratios as predictors of corporate failure has its roots in the seminal work of W.H. Beaver (1966), whose research is widely acknowledged as a cornerstone in the field of accounting and financial distress prediction. Beaver's paper was among the first to systematically investigate the relationship between various financial ratios and the likelihood of corporate failure. His univariate analysis demonstrated that certain financial ratios, such as cash flow to total debt and net income to total assets, possessed significant predictive power. Beaver's work laid a crucial foundation for future research, emphasizing that financial ratios could serve as early warning indicators of financial trouble.

Building upon Beaver's findings, Edward I. Altman (1968) introduced a more sophisticated and comprehensive approach by applying a multivariate statistical technique known as Multiple Discriminant Analysis (MDA). Altman's Z-score model, developed through this methodology, significantly enhanced the predictive ability of financial distress models and offered greater practical applicability for analysts, investors, and policymakers. Altman's work not only expanded the methodological framework but also demonstrated that a combination of financial ratios could more effectively distinguish between failing and non-failing firms compared to individual ratio analysis.

J.O. Horrigan (1968) contributed to the literature from a conceptual and historical perspective rather than an empirical one. His article provided an in-depth historical account of the evolution of financial ratio analysis, tracing its origins from early commercial practices to its emergence as a structured field of academic inquiry. Horrigan's study emphasized the theoretical underpinnings and contextual development of ratio analysis within the broader evolution of accounting thought, highlighting the shifts in the purpose and interpretation of financial ratios over time.

Furthering the discourse, Baruch Lev (1969) critically examined the use of industry averages as benchmarks for firm performance evaluation. Lev's study questioned the assumption that industry norms represented optimal performance standards for individual firms. His analysis revealed that reliance on industry averages could be misleading and emphasized the need for a more nuanced understanding of firm-specific contexts when interpreting financial ratios.

E.B. Deakin (1972) extended the predictive modeling work of Beaver and Altman by further refining the application of MDA. Deakin's research contributed to improving the robustness and accuracy of bankruptcy prediction models. By reassessing and validating the predictive capabilities of various financial ratios through a multivariate approach, Deakin helped solidify the role of financial ratio analysis as an essential tool in evaluating corporate financial health and anticipating financial distress.

R.O. Edmister's 1972 study is a landmark in the bankruptcy prediction literature for its specific focus on small businesses, a sector often overlooked in earlier models. While prior studies by Beaver (1966), Altman (1968), and Deakin (1972) primarily examined large, publicly traded firms, Edmister's work expanded the application of financial ratio analysis to privately held small businesses, providing insights more applicable to lenders, policymakers, and small business stakeholders.

The study by Pinches and Mingo (1973) marked a significant advancement in the intersection of credit rating analysis and financial ratio modeling. While earlier studies like Altman (1968) and Deakin (1972) focused on bankruptcy prediction, this paper extended the use of multivariate statistical techniques—specifically Multiple Discriminant Analysis (MDA)—to the classification of corporate bond ratings issued by agencies such as Moody's and Standard & Poor's.

Chen and Shimerda's 1981 paper stands out in the financial analysis literature for its broad, comparative evaluation of financial ratios. Unlike earlier studies that focused on predictive models for bankruptcy or credit risk, this research aimed to systematically assess which financial ratios

are most consistently useful across a variety of studies and contexts. The work serves as a meta-analysis and critique of financial ratio use in accounting and finance.

James A. Ohlson's 1980 study marked a critical advancement in bankruptcy prediction research by introducing logistic regression (logit model) as an alternative to traditional Multiple Discriminant Analysis (MDA). His approach addressed some of the statistical limitations of earlier models, making the analysis both more theoretically sound and practically applicable, particularly in risk assessment and financial modeling.

H.D. and M.B. Platt sought to improve bankruptcy prediction models by addressing a key issue in earlier literature the stability and reliability of predictor variables over time and across samples. Their paper focused on identifying a class of financial variables that are both statistically stable and consistently predictive of business failure.

Ratio analysis is a vital financial tool used to assess a company's performance, financial health, and operational efficiency. By comparing figures from financial statements, such as the balance sheet and income statement, key ratios like liquidity, profitability, solvency, and efficiency are derived. These ratios help stakeholders—such as investors, creditors, and management—make informed decisions regarding the company's stability and future prospects. It also aids in benchmarking performance against industry standards and identifying trends over time. Overall, ratio analysis provides a clear, quantitative basis for evaluating a firm's financial position and guiding strategic planning.

## **RESEARCH METHODOLOGY**

The study of ratio analysis in Casa Grande Prop Care Pvt. Ltd. is essential to evaluate the company's financial stability and operational efficiency. It helps in understanding how well the company utilizes its resources and manages its liabilities. Through key financial ratios, stakeholders can assess profitability, liquidity, and solvency levels. This analysis provides insights into the firm's growth potential and financial decision-making processes. Ultimately, it supports better planning, budgeting, and strategic development within the organization.

The scope of this study on ratio analysis in Casa Grande Prop Care Pvt. Ltd. encompasses evaluating the company's financial health over a specified period. It includes an in-depth analysis of key financial ratios, such as liquidity, profitability, and leverage, to determine the company's operational efficiency. The study will also compare the company's performance against industry benchmarks and historical data. Additionally, it aims to provide valuable insights for investors, creditors, and management to make informed financial decisions. This analysis will contribute to strategic planning and improving the overall financial performance of the company.

## **OBJECTIVES OF THE STUDY**

- To study the short-term liquidity positions of company.
- To study the efficiency of inventory management.
- To study the effectiveness of credit management of the company.
- To analyze the long-term solvency of the business concern.

### Research Design

“A Research Design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in procedure”. In fact, the research design is the conceptual structure with in which research is conducted; it constitutes the blue print for the collection, measurement and analysis of data, the research design utilized in this study is analytical research. The study relies entirely on secondary data.

- Annual reports
- Company websites and financial portals (like Money control, Screener, etc.)
- Publications from regulatory authorities (e.g., SEBI, RBI)

### DATA ANALYSIS AND INTERPRETATION

#### WORKING CAPITAL RATIO

The working capital ratio, also called the [current ratio](#), is a [liquidity ratio](#) that measures a firm’s ability to pay off its current liabilities with current assets. The working capital ratio is important to creditors because it shows the liquidity of the company.

**Table 1: Working Capital Ratio**

Year	Net Working Capital	Net Assets	Ratio
2019-2020	22.91	117.92	0.19
2020-2021	22.72	127.80	0.18
2021-2022	11.92	124.38	0.10
2022-2023	12.46	133.73	0.09
2023-2024	1.83	132.51	0.01

**Source: Secondary Data**

The ratio steadily declined from 0.19 in 2019–2020 to 0.01 in 2023–2024, indicating a significant reduction in working capital relative to net assets. This suggests the company is increasingly allocating its resources toward long-term assets or liabilities, reducing liquidity. The sharp fall in 2023–2024 signals potential difficulty in meeting short-term obligations. This trend may reflect tight cash flow management or over-reliance on fixed investments. Immediate attention is needed to improve current asset levels and maintain financial flexibility.

#### INVENTORY TURNOVER RATIO

This ratio indicates the efficiency of the firm in producing and selling its product. This ratio indicates the number of times inventory is replaced during the year. It measures how quickly inventory is sold. The inventory turnover reflects the efficiency of the firm in producing and selling its products. This ratio indicates the velocity or the movement of goods during the year.

The inventory turnover ratio, which measures how quickly inventory is sold, was relatively higher at 0.75 in 2019–2020, suggesting moderate movement of inventory. In 2020–2021 and 2021–2022,

the ratio dropped sharply to 0.06 and 0.02, respectively, indicating significant slowdowns in sales or accumulation of excess inventory.

**Table 2: Inventory Turnover Ratio**

Year	Cost of goods sold	Average inventory	Ratio
2019-2020	213.30	283.54	0.75
2020-2021	3.42	56.69	0.06
2021-2022	1.09	52.72	0.02
2022-2023	-19.01	61.14	-0.31
2023-2024	20.10	70.10	0.29

**Source: Secondary Data**

The negative ratio of -0.31 in 2022–2023 raises concerns, likely reflecting accounting adjustments or product write-offs rather than typical sales activity. A modest rebound to 0.29 in 2023–2024 suggests some improvement, though performance remains below the 2019–2020 levels. Overall, the fluctuating and declining ratios highlight issues in inventory management and sales efficiency that require further investigation.

### **DEBTORS TURNOVER RATIO**

Ratio of net credit sales to average trade debtors is called debtors turnover ratio. It is also known as receivables turnover ratio. This ratio is expressed in times.

**Table 3: Debtors Turnover Ratio**

Year	Sales	Debtors	Ratio
2019-2020	208.95	31.44	6.65
2020-2021	205.42	33.58	6.12
2021-2022	242.33	27.00	8.98
2022-2023	255.96	27.98	9.15
2023-2024	217.49	20.46	10.63

**Source: Secondary Data**

The debtor's turnover ratio shows a positive trend, increasing from 6.65 in 2019–2020 to 10.63 in 2023–2024. This indicates that Casa Grande Prop Care Pvt. Ltd. has improved its efficiency in collecting receivables over the years. The dip in 2020–2021 suggests a temporary slowdown in collections, possibly due to external factors. However, the consistent rise from 2021 onwards reflects stronger credit control and faster cash conversion from sales. The high ratio in 2023–2024 signifies effective debtor management and enhanced liquidity.

### **AVERAGE COLLECTION PERIOD**

The average collection period is the approximate amount of time that it takes for a business to receive payments owed in terms of accounts receivable. The average collection period is calculated by dividing the average balance of accounts receivable by total net credit sales for the



period and multiplying the quotient by the number of days in the period. To find the collection period.

**Table 4: Average Collection Period**

Year	Days in a year	Debtors' turnover ratio	Debt collection period (days)
2019-2020	365	6.65	54.92
2020-2021	365	6.12	59.67
2021-2022	365	8.98	40.67
2022-2023	365	9.15	39.90
2023-2024	365	10.63	34.34

**Source: Secondary Data**

The average collection period has improved steadily, decreasing from 54.92 days in 2019–2020 to 34.34 days in 2023–2024. This indicates that Casa Grande Prop Care Pvt. Ltd. is collecting its receivables more quickly over time. The slight increase in 2020–2021 to 59.67 days may suggest a temporary delay in collections. However, the consistent decline in the following years reflects effective credit policies and better debtor management. The shorter collection period in 2023–2024 enhances cash flow and strengthens the company's financial position.

## **ANALYSIS OF FINDINGS**

The analysis of financial ratios for Casa Grande Prop Care Pvt. Ltd. reveals several key trends. The working capital ratio has steadily declined from 0.19 in 2019–2020 to just 0.01 in 2023–2024, indicating weakening liquidity and potential short-term solvency concerns. The inventory turnover ratio shows volatility, with a sharp drop and even a negative figure in 2022–2023, reflecting inefficiencies in inventory management, though slight recovery is seen in 2023–2024. In contrast, the debtors turnover ratio has shown consistent improvement from 6.65 to 10.63, highlighting enhanced efficiency in receivables collection. Correspondingly, the average collection period has decreased from 54.92 to 34.34 days, indicating faster cash recovery. While receivables management appears strong, the company must address liquidity and inventory issues to maintain overall financial health.

## **RECOMMENDATIONS**

This section provides targeted recommendations for managers, policymakers, industry development, and scholarly contribution based on the financial ratio analysis of Casa Grande Prop Care Pvt. Ltd. The suggestions aim to improve liquidity, operational efficiency, financial transparency, and strategic decision-making. Furthermore, it highlights opportunities for future research and acknowledges the limitations of the current study. Implementing these recommendations will enhance the company's financial stability and contribute to the broader development of the real estate service sector.

### **Managers**

Managers at Casa Grande Prop Care Pvt. Ltd. should focus on improving liquidity by strengthening current assets, especially working capital, which has shown a declining trend.

They must streamline inventory management to avoid negative or low turnover ratios, indicating inefficiency. Enhancing debtor recovery strategies can further reduce the average collection period and improve cash flow. Regular monitoring of financial ratios will aid in timely decision-making and identifying potential risks. Implementing these measures will ensure better financial health and operational stability for the company.

### **Policy Maker's**

Policymakers at Casa Grande Prop Care Pvt. Ltd. should establish clear financial guidelines to maintain a healthy working capital ratio and ensure liquidity. Emphasis should be placed on creating policies that enhance inventory efficiency and prevent overstocking or underutilization of resources. Structured credit control policies can help reduce the average collection period and strengthen the company's cash position. Regular ratio analysis should be mandated as part of financial reporting for better transparency and performance tracking. These strategic policies will support sustainable growth and financial discipline within the organization.

### **Industry Development**

For industry development, it is recommended that Casa Grande Prop Care Pvt. Ltd. adopts advanced financial analytics tools to enhance the accuracy and relevance of ratio analysis. Training programs should be implemented to build financial literacy among industry professionals, ensuring informed decision-making. Collaboration with financial institutions and benchmarking against industry standards can help identify growth opportunities and performance gaps. Promoting regular financial audits and ratio analysis across the sector will drive transparency and efficiency. These steps will contribute to the overall financial maturity and resilience of the real estate services industry.

### **Scholarly Contribution**

For scholarly contribution, it is recommended that detailed case studies on ratio analysis at Casa Grande Prop Care Pvt. Ltd. be documented to enrich academic literature. Researchers can explore the impact of financial ratios on the company's operational efficiency and strategic decisions. Comparative studies with other firms in the real estate service sector can offer broader insights and benchmarks. Incorporating real-time data from the company into academic projects can enhance practical learning for students. Such scholarly work can bridge the gap between theory and practice, fostering deeper financial understanding.

### **Scope for further study**

The scope for further study on ratio analysis in Casa Grande Prop Care Pvt. Ltd. includes a deeper exploration of profitability, solvency, and market ratios to gain a comprehensive view of financial health. Future research can compare the company's ratios with industry peers to identify competitive strengths and weaknesses. Analyzing the impact of external economic factors on financial ratios can offer broader insights. Studies can also focus on forecasting future performance using trend analysis and predictive models. This extended scope will help in strategic planning and long-term financial sustainability.



### **Limitations of the study**

The project work study was mainly based upon the information from the secondary, mainly balance sheet, profit and loss account, the annual report and accounts book by only giving limited information regarding the performance of the company. The study has been restricted span of time 5 years only.

### **CONCLUSION**

A Successful management of the working capital in any concern will ensure the success of business. In The Casa Grande Prop Care Private Limited., working capital management is in good condition. the level of profit is increasing in nature. However, to show the better business result, the management may concentrate on increases of sales, sales level before changing credit policy variable, credit policy helps to retained its old customer and create new customer by coming them away from competitors. Better co-ordination between each department is very important, like sales, production, purchase because it helps to avoid the credit risk and it decrease the debt collection days.

### **REFERENCES**

- Beaver, W. H. (1966). Financial ratios as predictors of failure. *Journal of accounting research*, 71-111.
- Altman, E. I. (1968). Financial ratios, discriminant analysis and the prediction of corporate bankruptcy. *The journal of finance*, 23(4), 589-609.
- Horrigan, J. O. (1968). A short history of financial ratio analysis. *The accounting review*, 43(2), 284-294.
- Lev, B. (1969). Industry Averages as Targets for Financial Ratios. *Journal of Accounting Research*, 7(2), 290–299.
- Deakin, E. B. (1972). A Discriminant Analysis of Predictors of Business Failure. *Journal of Accounting Research*, 10(1), 167–179.
- Edmister, R. O. (1972). An Empirical Test of Financial Ratio Analysis for Small Business Failure Prediction. *Journal of Financial and Quantitative Analysis*, 7(2), 1477–1493.
- Pinches, G. E., & Mingo, K. A. (1973). A Multivariate Analysis of Industrial Bond Ratings. *Journal of Finance*, 28(1), 1–18.
- Chen, K. H., & Shimerda, T. A. (1981). An Empirical Analysis of Useful Financial Ratios. *Financial Management*, 10(1), 51–60.
- Ohlson, J. A. (1980). Financial Ratios and the Probabilistic Prediction of Bankruptcy. *Journal of Accounting Research*, 18(1), 109–131.
- Platt, H. D., & Platt, M. B. (1990). Development of a Class of Stable Predictive Variables: The Case of Bankruptcy Prediction. *Journal of Business Finance & Accounting*, 17(1), 31–51.
- Barnes, P. (1987). The Analysis and Use of Financial Ratios: A Review Article. *Journal of Business Finance & Accounting*, 14(4), 449–461.