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A STUDY ON RATIO ANALYSIS WITH REFERENCE TO GCKR ENTERPRISE BRAKES INDIA PVT Ltd, MENAKURU

*P.Sreyavalli[1], and N.Raghavendra Rao[2]
Department of management studies, Narayana Engineering College (Autonomous), Gudur

ABSTRACT

This research analysis GCKR Enterprises, based in Nellore, Andhra Pradesh, operates within the automotive equipment rental and leasing industry. Due to limited publicly available financial data, a comprehensive ratio analysis is not feasible at this time. For a detailed financial assessment, it is recommended to consult the company's financial statements or industry reports. This study focuses on the financial performance of GCKR Enterprises Brake India Pvt. Ltd. through comprehensive ratio analysis. Key financial ratios such as liquidity, profitability, solvency, and efficiency are examined to assess the company's operational health and financial stability. The analysis helps in understanding the firm's ability to meet its short-term obligations, manage resources effectively, and maintain profitability. By comparing these ratios over time, trends and patterns are identified to support strategic decision-making. The findings offer insights into the company's strengths and potential areas for improvement.

Key words: Market Ratios, Solvency Ratio, Efficiency Ratios, Profitability Ratios

INTRODUCTION

GCKR Enterprises Brake India Pvt. Ltd. is a leading manufacturer and supplier of high-performance braking systems and components for the automotive industry. Established with a vision to deliver quality and safety, the company caters to both domestic and international markets. Known for its innovation, precision engineering, and adherence to global standards, GCKR has built a strong reputation in the auto parts sector. The company emphasizes customer satisfaction, continuous improvement, and sustainable practices. With a skilled workforce and modern manufacturing facilities, GCKR continues to drive excellence in brake technology.

GCKR Enterprises Brake India Pvt. Ltd. plays a vital role in the automotive sector by providing reliable and high-quality braking solutions essential for vehicle safety. Its commitment to innovation and quality control contributes to enhanced road safety standards. The company supports the growth of the automobile industry by ensuring timely supply of critical components. It also generates employment and fosters skill development in the engineering and manufacturing sectors. As a trusted partner to various automotive brands, GCKR adds significant value to the supply chain.

The automotive and auto component industry is a key driver of economic growth, contributing significantly to GDP and employment generation. It supports a wide network of ancillary industries, including steel, rubber, and electronics. The braking systems segment, in particular,

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plays a critical role in ensuring vehicle safety and regulatory compliance. This industry promotes technological advancement, exports, and foreign investments. Its development reflects a nation's industrial strength and infrastructure progress.

The automotive and braking systems industry plays a crucial role in enhancing road safety and protecting lives through the development of reliable vehicle components. It contributes to societal well-being by reducing accident risks and improving transportation efficiency. The industry also generates large-scale employment, skill development, and livelihood opportunities. By adopting eco-friendly technologies, it promotes environmental sustainability. Moreover, it supports infrastructure growth and connects communities through safer mobility solutions.

Ratio analysis is a method of analysing a company's financial data to learn about its performance, profitability, and stability. It compares the relationship between two more financial items from a company's balance sheet and income statement. Investors and other business experts use ratio analysis to make predictions about a company's financial stability and potential future growth. Ratio analysis is a key financial tool used to evaluate a company's performance by analysing relationships between various financial statement items. It helps stakeholders assess liquidity, profitability, solvency, and operational efficiency. By comparing ratios across time periods or with industry benchmarks, businesses can identify strengths, weaknesses, and areas for improvement. Ratio analysis supports better decision-making for investors, managers, and creditors. It is an essential part of financial statement analysis and strategic planning.

REVIEW OF LITERATURE

Kumar and Sharma (2022) conducted an in-depth study on the applicability of ratio analysis in evaluating the financial performance of manufacturing firms in India. Their findings indicated that profitability and liquidity ratios are the most influential in predicting financial sustainability. They emphasized the importance of inter-firm comparisons to derive actionable insights and noted limitations in cross-sectoral comparisons due to varying accounting practices

Singh and Mehta (2021) examined the predictive power of financial ratios for default risk among Indian SMEs. Their study concluded that liquidity and solvency ratios had significant predictive value, with the current ratio and interest coverage ratio emerging as key indicators. This has major implications for credit assessment by financial institutions

Jain et al. (2023) performed a sector-wise comparative study using ratio analysis to assess the performance of companies listed on the NSE. The research found that ratio trends differed drastically across sectors, underlining the importance of context in interpreting financial health.

Thomas and George (2020) explored the use of ratio analysis in investment decision-making. Their findings revealed that profitability ratios, particularly return on equity and net profit margin, strongly influenced investor preferences in the Indian stock market.

Patel and Doshi (2022) investigated the reliability of ratio analysis in identifying financial distress. They concluded that the Altman Z-score model, when supported by individual ratios such as debt-equity and quick ratio, enhanced early detection of bankruptcy risk.

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Banerjee and Saha (2021) assessed the impact of COVID-19 on the liquidity and profitability ratios of Indian listed companies. They reported a significant decline in liquidity during FY 2020–21, highlighting the importance of contingency ratio planning during economic disruptions.
Nair and Iyer (2023) conducted a meta-analysis of literature on ratio analysis in emerging markets. They concluded that while traditional ratios remain relevant, integration with AI and data analytics enhances their predictive utility.
Mishra and Rao (2022) explored how financial ratios affect stock prices of listed companies in India. Their regression analysis found strong relationships between EPS (earnings per share), return on capital employed (ROCE), and market valuation, suggesting that ratio analysis is still highly relevant for equity analysts.
Choudhary and Malik (2020) evaluated the accuracy of ratio-based performance rankings among FMCG companies. Their results revealed inconsistencies between ranking systems when only one category of ratio was considered, reinforcing the importance of a holistic approach.
Deshmukh and Kulkarni (2021) highlighted the role of liquidity and profitability ratios in measuring working capital efficiency. Their study focused on mid-cap Indian firms and demonstrated how proper interpretation of these ratios could significantly impact operational decisions.
Several studies, including those by Dixit & Jain (2023), Biswas (2019), and others, demonstrate that financial ratio analysis remains a vital tool for evaluating liquidity, profitability, efficiency, and solvency across sectors. These analyses offer strategic insights into operational performance and financial health of companies in diverse industries like NBFCs, pharmaceuticals, telecom, and manufacturing.

RESEARCH METHODOLOGY

Ratio analysis is a powerful financial tool used to assess the financial health, performance, and efficiency of a business. Its scope extends across various aspects of financial management, including profitability, liquidity, efficiency, and solvency.

It aids in informed decision-making for management, investors, and creditors by providing insights into various aspects of the company, such as cash flow, debt levels, and operational efficiency.

OBJECITIVES OF THE STUDY

- To study the solvency and financial stability
- To analyse profitability ratio like Gross profit margins, net profit margins, and Return on investment
- To financial ratios in evaluating a company's performance and decisions making
- To compare financial performance over time Research Methodology and design

A research gap in ratio analysis refers to unexplored or unexplored areas where further study is needed to enhance understanding, improve methodologies, or address limitations in existing research. Here are some key research gaps in ratio analysis

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The secondary data are those that have already undergone processing and have been gathered by someone else. In general, secondary data are facts that have already been gathered by organization for its own purposes but are now being used by the department. For very different reasons, under reference. The research varies since the suggested study is more of an action research, it is based on secondary data. There are some secondary data are Finance, Books, Magazines, Websites, Newspapers, Government Publications, Journal Articles, Interest Records. The stay's statistics are provided by the company. The principal informational resources are used from : the business's internal sources.Company annual reports for the years 2019-2023.Profit and loss account and balance sheet.The supplementarySample TechniqueAverage methodologyRatio techniques

DATA ANALYSIS & INTERPRETATION

LIQUDITY RATIO

These ratios measure the firm's ability to meet its current obligations as and when they become due. Liquidity is a prerequisite for the survival of a firm. A firm should ensure that it does not suffer from lack of liquidity.

The failure of the company to use its obligations put in a dangerous situation on the other named idle assets cams nothing. Therefore a proper balance between the two contradictory requirements i.e., liquidity and profitability is required for efficient financial management.

The liquidity ratios measure the ability of a firm to meet its short term obligations and reflect the short -term financial strength/solvency of a firm.

The following are the liquidity ratio:

- current ratio
- quick ratio
- cash ratio

CURRENT RATIO

Current ratio is calculated by dividing total current assets to total liabilities. This ratio is also known as "working capital ratio" Formula: Current ratio=current assets÷current liabilities

Table 1 Current ratio

Years	Current Assets	Current Liabilities	Current Ratio
2019	41.95	39.63	1.05
2020	10.51	9.73	1.08
2021	10.94	3.22	3.39
2022	10.14	2.41	4.2

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2023	10.1	2.34	4.31

Source: Secondary Data

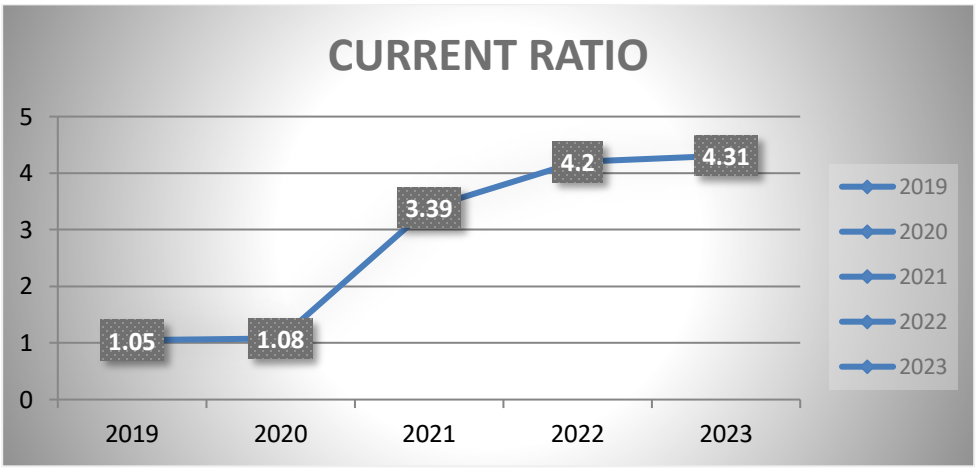

Figure 1 Current Ratio

The current ratio of standard norms 2:1 considered satisfaction. From the above table & graph shows, the current ratio in the year 2019 has been increased to 4.31 and in the year 2020has been decreased to 1.05.The above chart clearly indicates that the organization current ratio is below the ideal ratio as a result the liquidity position of the firm is not satisfactory.

QUICK RATIO

Quick ratio or acid test ratio is more refined measure of firm's liquidity. This ratio establishes a relationship between quick or liquid assets and current liabilities. Stock and prepaid e expenses are considered to be less liquid.

FORMULA

Quick ratio=current assets -inventory÷current liabilities

The following are the table explains as the liquidity ratio in quick ratio as follows:

Table 2 quick ratio

Years	Quick assets	Current liabilities	Quick ratio
2019	42	39.6	1.05
2020	10.5	9.73	1.08
2021	10.9	3.22	3.39
2022	10.1	2.41	4.2
2023	10.1	2.34	4.31

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Source: Secondary Data

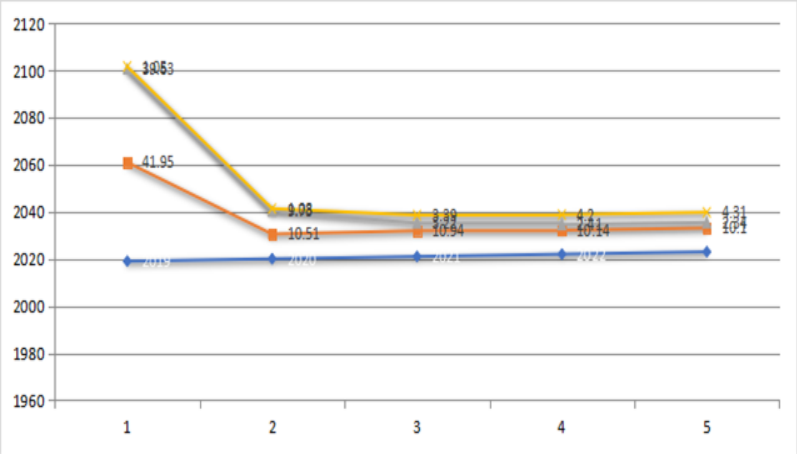

Figure 2 Quick Ratio

The current ratio of standard norms 2:1 considered satisfaction. From the above table & graph shows, the current ratio in the year 2023-2024 has been increased to 4.31 and in the year 2019-2020has been decreased to 1.05.The above chart clearly indicates that the organization current ratio is below the ideal ratio as a result the liquidity position of the firm is not satisfactory.

CASH RATIO

FORMULA:

CASH RATIO=CASH IN HAND & BANK÷CURRENT LIABILITIES

Table 3 Cash ratio

Year	Cash & bank	Current liabilities	Cash ratio
2019	0.04	39.63	0.001
2020	0.03	9.73	0.003
2021	0.23	3.22	0.07
2022	0.31	2.41	0.12
2023	0.32	2.34	0.13

Source: Secondary Data

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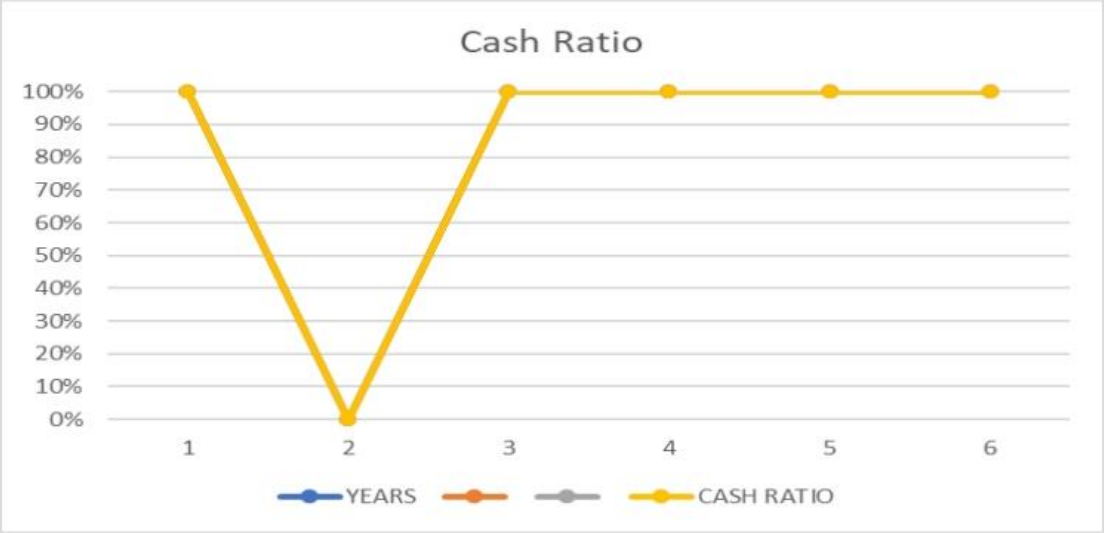

Figure 3 Cash ratio

The cash ratio of standard norms 000.1 considered satisfaction. From the above table & graph shows, the current ratio in the year 2019 has been increased to 0.003 and in the year 2020has been decreased to 0.07.The above chart clearly indicates that the organization current ratio is below the ideal ratio as a result the liquidity position of the firm is not satisfactory.

ANALYSIS OF FINDINGS

The company's current ratio fluctuates, indicating that the standard ratio of 2:1 is not being followed.A high current ratio indicates that the company is satisfied, but a low current ratio indicates that the company is not in a good condition.The company's quick ratio exhibits variation, i.e. However, the standard ratio,1:1, is not adhered to.The company's net working capital ratio is fluctuating.

RECOMMENDATIONS

Managers

Managers should regularly monitor key financial ratios to maintain a balanced financial structure and ensure business sustainability. Improving liquidity ratios through better working capital management can enhance short-term financial health. Attention should be given to optimizing profitability by controlling costs and increasing operational efficiency. Solvency ratios must be maintained to ensure long-term debt obligations are manageable. Regular benchmarking against industry standards is advised to remain competitive and support strategic planning.

Policymakers

Policy makers should encourage financial transparency and standardized reporting practices to enhance the reliability of ratio analysis across industries. Incentivizing financial literacy programs can help businesses, especially MSMEs, utilize ratio analysis effectively for growth. Policies

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supporting easier access to credit for financially healthy firms, based on ratio performance, can drive economic development. Strengthening regulatory frameworks can ensure companies maintain sound financial practices. Support for digital tools and analytics can further empower businesses to make data-driven decisions.

Industry Development

Industries should adopt modern financial management practices, including regular ratio analysis, to enhance performance and sustainability. Investment in technology and automation can improve efficiency and profitability ratios. Collaborative benchmarking across companies can help set industry standards and drive overall improvement. Financial training and awareness programs should be promoted to strengthen decision-making at all levels. Encouraging innovation and quality improvements will enhance competitiveness and long-term industry growth.

Scholarly Contribution

Scholars should focus on expanding the understanding of how ratio analysis impacts different industries, particularly in emerging markets. Research on the integration of advanced data analytics and artificial intelligence with ratio analysis could offer new insights. Longitudinal studies examining the long-term predictive power of financial ratios could further enrich academic literature. Comparative studies between traditional and modern financial analysis techniques would also contribute to refining existing models. Finally, scholars should explore the role of non-financial factors in conjunction with financial ratios for more comprehensive business performance assessments.

Scope for further study

Further research can explore the impact of external macroeconomic factors, such as inflation and exchange rates, on financial ratios across different sectors. Studies could also examine the evolving role of financial ratios in predicting business failure in the context of modern challenges like digital transformation. Additionally, there is scope to investigate the effectiveness of industry-specific ratios compared to general ones. Exploring the integration of non-financial performance indicators, such as environmental, social, and governance (ESG) factors, with traditional financial ratios offers an exciting avenue for future research. Finally, the influence of financial ratios on firm value and investor behaviour in emerging markets remains underexplored.

Limitations

This study relies heavily on historical financial data, which may not accurately reflect future performance or market changes. Ratio analysis is based on standardized financial statements, which can vary in quality depending on accounting practices. It also does not account for qualitative factors such as management quality or market conditions. Additionally, ratios may be influenced by industry-specific benchmarks, making cross-industry comparisons challenging.Lastly, the study may overlook the potential impact of non-financial variables, like technological innovation or geopolitical factors, on business performance.

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CONCLUSION

Ratio analysis is a powerful tool used to evaluate the financial performance and health of a business. By examining key financial ratios—such as profitability, liquidity, efficiency, and solvency ratios—stakeholders can gain valuable insights into a company's operational effectiveness, financial stability, and growth potential. It aids in informed decision-making for investors, management, and creditors. However, while useful, ratio analysis should be complemented with other forms of financial analysis and consider industry standards and economic conditions for a well-rounded assessment.

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