HW - Chapter 3 - Ratios - Q5

Ratios	Navya Ltd.	Industry
1. Current Ratio = CA ÷ CL	52,80,000 ÷ 19,80,000 = 2.67	2.50
2. DTR = Sales ÷ Debtors	1,10,00,000 ÷ 11, 00,000 =10.0	8.00
3. Inventory turnover ratio = Sales ÷ Stock	1,10,00,000 ÷ 33, 00, 000 = 3.33	9.00
4. Total Asset Turnover ratio = Sales ÷ Total Assets	1,10,00,000 ÷ 77,00,000 =1.43	2.00
5. Net Profit Ratio = Net Profit ÷ Sales	2, 31,000 ÷ 1,10,00,000 = 2.10%	3.50%
6. Return on Total Asset = EBIT ÷ Total Assets	5,54,000 ÷ 77,00,000 = 7.19%	7%
7. Return on Net worth = Net Profit ÷ Net Worth	2,31,000 ÷ 48,00,000 = 4.81%	10.5%
8. Total Debt ÷ Total Assets	29,00,000 ÷ 77,00,000 = 37.66%	60%

Comments:

1. The position of Navya Ltd. is better than the industry norm with respect to Current Ratio and Receivables Turnover Ratio.
2. However, the Inventory turnover ratio and Total Asset Turnover ratio is poor compared to industry norms indicating that the company is inefficient to utilize its inventory and assets.
3. The firm also has its net profit ratio and return on net worth ratio much lower than the industry norm.
4. Total debt to total assets ratio is lower than the industry standard which suggests that the firm is less leveraged by debt and more by equity resulting in a less risky company.