A STUDY ON ASSETS TURNOVER RATIO WITH REFERENCE OF NCC LTD. (FY 2018-19 TO 2021-22)

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ABSTRACT

The present study investigates the turnover ratios of NCC Ltd., with a particular emphasis on important financial indicators. These indicators include the ratios of accounts receivable, inventory, capital employed, working capital, and total. This research uses quantitative analysis backed by charts and graphs to give a thorough knowledge of the company's financial performance using financial statements as the major data source. By examining how quickly the business turns inventory and accounts receivable into income, the inquiry seeks to evaluate the efficacy and efficiency of NCC Ltd.'s operational and financial management. The working capital turnover ratio assesses the efficiency of working capital management, whereas the capital employed ratio sheds light on how well the business uses its resources. This study provides a clear and understandable presentation of the findings by visualizing trends, patterns, and correlations within the financial data through the use of charts and graphs. The study not only advances our knowledge of NCC Ltd.'s financial situation, but it also offers stakeholders and decision-makers useful information on how to maximize both the company's financial performance and operational effectiveness. By examining these turnover ratios, this study adds to the body of knowledge in the field of financial analysis and management practices while improving NCC Ltd.'s transparency and strategic decision-making abilities. With its insights for future research, this study is a useful tool for NCC Company. Key areas of focus include profit and loos statement, Balance sheet, inventory turnover ratio, inventory turnover ratio and overall company turnover ratio. By examining these factors, the study seeks to identify patterns and correlations that contribute to turnover, offering valuable insights for strategic intervention. The findings of this study aim to contribute practical recommendations for NCC Company's financial information.

Key Words:

Capitalization, financial statements, retained earnings, stakeholder, visualizing trends.

INTRODUCTION

Turnover Ratios:

Turnover ratio is also termed as efficiency ratios. These ratios are not only used by the financial personnel but also by the people in charge of the operations. We consider these ratios from the point of view of the outsideinvestors because judgements should be made about the efficiency of the company based on the limited information at hand. Ratios helps in determining the efficiency of the company. According to business point of view efficiency means growing of the business. The company that has the more efficiency is more profitable in the business field. **For example:** Any company 'X' that is more efficient than its peers i.e. 'Y' and 'Z' in producing the same goods and services in the market will be more profitable in short-run. The profitability earned by the company in the short-run helps the business to create a competitive environment in the market.

It is difficult even for a manager or an employee of the company to find the efficiency of the company even though they have all the information in hand. But in-case of investors they won't be having any information in hand except the financial statements i.e. Balance Sheet and P/L Statement. So the investors only the financial statements i.e. Balance Sheet and P/L statement to determine the efficiency of the company to decide whether to invest in that company or not. The turnover ratios are the methods of the investors to find if the company is efficient so that they could invest in the company. They use the information which is available in the different financial statement. Then they use the arranged information from the financial statement to determine a meaningful conclusion about the operations of the company. So according to importance of the turnover ratio every company should calculate the turnover ratios to make the company more efficient to attract more and more investors to expand is company in the future.

Why Turnover Ratio?

Turnover Ratios plays a significant role in management of the company. Turnover Ratios reveals a lot about the company. Turnover Ratios helps in the forecasting of the company,inventory management, sales and marketing expertise. Turnover Ratio help to measure thevalue of a company's sales or revenues relative to the value of its assets and indicates howefficiently a company uses its assets to generate revenue. A high ratio means the companyis more efficient.

Relation between Sales, COGS and Turnover

Sales: Sales revenue or sales is the income received by the company from its sale of goods or the provision of services. Sales revenue can be shown on the income statement by either the gross revenue or net revenue.

3

COGS:

Cost of goods sold (COGS) is the cost of acquiring or manufacturing the products that a company sells during a period, so the only costs included in the measure are those that are directly tied to the production of the products, including the cost of labour, materials, and manufacturing overhead.

The COGS formula is: COGS = the starting inventory + purchases – ending inventory.

Turnover: Turnover is also known as income or gross revenue; turnover is the total amount of sales you make over a set of period. Turnover can be calculated based on different periods weekly, monthly, quarterly and yearly.

OBJECTIVES OF THE STUDY

➤ To calculate different turnover ratios and days using Balance Sheet and P/L Statement.

➤ To calculate assets turnover ratio by analysis of previous 5 FYs

➤ To calculate turnover days of all turnover ratios.

➤ To Analyzing the changes in turnover ratios and turnover days.

➤ To Analyzing the impact of turnover ratio and turnover days.

SIGNIFICANCE OF THE STUDY

o It would help to improve the company's forecasting.

o It would help the company to make better decisions for the betterment of the company.

o Shows the calculations of the turnover ratios and turnover days using the company's Balance Sheet and P/L Statement.

o Real life application of the turnover ratios and turnover days.

SCOPE OF THE STUDY:

To understand the ratios and days in NCC Ltd.

It is concerning with NCC Ltd.

RESEARCH METHODOLOGY

It is a descriptive reseach. It deals with the way in which data are collected for research project. This study makes use of only secondary data.

A) SECONDARY DATA

Secondary data are those which have been collected from journals and NCC company annual report of the company.

REVIEW LITERATURE

The term "Review of Literature" refers to the compilation of the findings of many studies related to the current topic. It takes into account earlier researchers' study that is relevant to the current research in some way. Here are reviews of past studies connected to the current study:

- **Cooper (2000)** did a research on Financial Intermediation in which he discovered that the quantitative behavior of business-cycle models in which the intermediation process works either as a source of fluctuations or as a propagator of actual shocks is affected by the intermediation process. In neither scenario do we find persuasive evidence that the intermediation process contributes significantly to aggregate variations.

- **Murinde (2003)** conducted a study on Corporate Financial Structures, observing the financial structure of a sample of Indian non-financial companies using a new and unique dataset consisting of a panel containing the published accounts of nearly 900 companies that published a full set of accounts every year between 1989 and 1999. The dataset includes both quoted and unquoted companies, which is a first in the literature. The sources-uses method to examining business financial structures is contrasted with the asset-liability approach.

- **Leigh Branham (2005)**: explores the various factors behind employee turnover in organizations. Branham, an experienced consultant and expert in employee retention, identifies seven key reasons that may not be immediately apparent but significantly contribute to employees deciding to leave their jobs. The book provides valuable insights for employers and managers to understand and address these issues to improve employee retention.

- **McMahon (2005)** did a research on Financial Information and discovered that financial statements have little meaning for the uninitiated. This document discusses how to grasp financial information in layman's terms. It includes profitability metrics. The second article will go over corporate liquidity metrics and how to use financial ratios.

- **Johnson (2009)** conducted a study on Financial Ratio Patterns and discovered that the properties and characteristics of financial ratios have received a lot of attention in recent years, with the main focus being on determining the predictive ability of financial ratios and related financial data. The prediction of corporate bond ratings and the anticipation of financial damage have been primary topics of inquiry.

COMPANY PROFILE

NCC limited Established in the year 1978 by **Dr. A.V.S Raju** the founder & chairman emeritus. NCC was first established as a partnership firm and later was converted into a limited company in the year 1990. NCC has progressed consistently and is now in its 44th year. NCC is one of the leading construction companies in terms of revenue. NCC is entrenched in its values of openness and trust integrity and reliability, teamwork and collaboration, commitment and creativity. NCC undertakes constructions in segments such as: Building and Housing, Water and Environment, Roads, Electricity, Mining, Irrigations, Power, Railways and Metals.

Philosophy

❖ **Vision :**

   To be a world-class construction and infrastructure company devoted to quality, on-time completion, customer satisfaction, continuous learning, and increasing the value of stakeholders.

❖ **Mission:**

   To create a strong future by increasing shareholder profits and providing better assistance to colleagues. Adopting cutting-edge technology in infrastructure engineering, building, operation, and maintenance.

Increasing operational coverage

NCC Limited has established itself as one of the country's major listed construction businesses in terms of income, with a diverse portfolio of activities that includes buildings, transportation, water & environment, irrigation, electricity (T&D), mining, and railroads. The group has grown to have a pan-India presence, with offices in Ahmedabad, Bengaluru, Chennai, Delhi, Lucknow, Mumbai, Pune, Kolkata, and Patna, with its headquarters in Hyderabad.

DATA ANALYSIS AND INTERPRETATION

DATA:

Amount (₹) in Crores

Table 1 BALANCE SHEET OF NCC LTD.

EQUITY AND LIABILITIES	FY18	FY19	FY20	FY21	FY22
Equity					
Equity Share Capital	120.13	120.13	121.97	121.97	121.97
Other Equity	4,121.52	4,636.65	4,983.66	5,242.69	5,681.20
Total Equity	*4,241.65*	*4,756.78*	**5,105.63**	**5,364.66**	**5,803.17**
Liabilities					
Non-Current Liabilities					
Financial Liabilities					
Borrowings	118.54	319.97	173.67	98.60	82.03
Trade Payables	124.31	107.93	46.62	22.96	19.91
Provisions	15.1	21.79	37.41	45.08	52.52
Total Non-Current Liabilities	*257.95*	*449.69*	*257.70*	**166.64**	**154.46**
Current Liabilities					
Financial Liabilities					
Borrowings	1,045.09	1,416.31	1,477.86	1,690.32	1,102.05
Trade Payables					
Total outstanding dues of micro and small enterprises	0.61	13.02	30.79	49.84	34.03
Total outstanding dues of creditors other than micro and small enterprises	3,387.58	4,371.37	3,905.63	3,641.37	4,226.63
Other Financial Liabilities	149.45	289.86	336.62	73.88	87.90
Provisions	28.81	39.89	48.27	57.14	64.33
Current Tax Liabilities (Net)		62.88	62.23		
Other Current Liabilities	1,689.43	1,758.80	1,545.65	1,654.80	2,354.04
Total Current Liabilities	*6,300.97*	*7,952.13*	**7,407.05**	**7,167.35**	**7,868.98**
TOTAL EQUITY AND LIABILITIES	*10,800.57*	*13,158.60*	**12,770.38**	**12,698.65**	**13,826.61**

ASSETS	FY18	FY19	FY20	FY21	FY22
Non-Current Assets					
Property, Plant and Equipment	747.83	1,108.60	1,047.47	1,043.72	1,063.71
Capital Work in Progress	22.93	13.16	14.83	21.53	7.02
Investment Property	58.65	131.98	143.22	178.39	159.85
Investment Property under Construction		68.1	68.10	68.10	103.47
Other Intangible Assets	1.58	1.07	0.80	0.71	0.72
Financial Assets					
Investments in Associates	111.29	10.54	10.54	10.54	7.08
Other Investments	912.45	908.73	878.16	973.52	886.34
Loans	487.27	321.05	364.48	158.38	197.49
Trade Receivables	183.3	104.59	209.74	139.59	107.96
Other Financial Assets	81.43	158.15	124.14	153.09	140.20
Deferred Tax Assets (Net)	179.25	172.64	205.50	41.14	54.14
Non-Current Tax Assets (Net)	43.16	36.1	30.40	78.84	149.63
Other Non-Current Assets	47.7	224.86	235.08	223.92	233.1
Total Non - Current Assets	*2876.84*	*3,259.57*	*3,332.46*	*3,091.47*	*3,110.71*
Current Assets					
Inventories	1,695.56	512.94	514.83	526.80	787.78
Financial Assets					
Other Investments				15.03	1.07
Trade Receivables	4,505.64	3,049.57	2,408.26	2,520.68	2,384.27
Cash and Cash Equivalents	59.12	196.05	85.34	169.66	235.39
Bank balances other than above	6.77	102.91	231.53	268.96	323.15
Loans	145.17	175.48	230.18	171.61	210.32
Other Financial Assets	120.66	175.96	114.28	146.41	285.59
Current Tax Assets (Net)	56.69	52.94	103.77	100.31	74.22
Other Current Assets	1,334.12	5,596.53	5,749.73	5,687.72	6,414.11
Total Current Assets	*7,923.73*	*9862.38*	*9,437.92*	*9,607.18*	*10,715.90*
Total Assets	*10,800.57*	*13,158.60*	*12,770.38*	*12,698.65*	*13,826.61*

Table-2 PROFIT & LOSS STATEMENT					
Particulars	FY18	FY19	FY20	FY21	FY22
INCOME					
Revenue from Operations	7,559.33	12,079.76	8,218.80	7,256.02	9,930.03
Other Income	115.83	118.25	151.27	115.6	108.21
Total Income	7,675.16	12,198.01	8,370.07	7,371.62	10,038.24
EXPENSES					
Cost of Materials Consumed	2,935.28	4,763.59	2,944.69	2,383.17	3,393.62
Construction Expenses	767.9	921.31	928.81	876.7	1,177.82
Changes in Inventories of Work in Progress	-158.74				
Sub-Contractors Work Bills	2,586.61	4,245.59	2,621.36	2,604.98	3,700.78
Employee Benefits Expense	364.11	439.32	435.23	349.62	429.13
Finance Costs	378.94	451.26	517.87	457.81	459.6
Depreciation and Amortization Expenses	117.47	149.37	177.52	174.09	182.34
Other Expenses	209.29	286.95	258.56	186.18	232.57
Total Expenses	7,200.86	11,257.39	7,884.04	7,032.55	9,575.86
Profit Before Exceptional Items and Tax	474.3	940.62	486.03	339.07	462.38
Exceptional Items (Net)	-106.56	-58.93	-32.67		145.64
Profit Before Tax	367.74	881.69	453.36	339.07	608.02
TAX EXPENSE					
Current Tax	96.86	308.73	100.05	7.37	130.21
Deferred Tax	-15.92	9.05	-28.73	70.21	-12.31
Profit for the Year	286.8	563.91	382.04	261.49	490.12

Accounts Receivable Turnover Ratio

Accounts receivable are a very important part of the current assets of any business. Like inventory, accounts receivable is considered a necessary evil to do business.

Accounts Receivable Turnover Ratio = Net Credit Sales / Average Accounts Receivable

Average Accounts Receivables = (Beginning Accounts Receivables + Ending Accounts Receivables) / 2 [Accounts Receivable Turnover in Days]

AR Turnover (in days) = Accounts Receivables Turnover Ratio ÷ 365

1. CALCULATION OF ACCOUNTS RECEIVABLE TURNOVER RATIO

| Particulars	FY18	FY19	FY20	FY21	FY22
Net Credit Sales	7,559.33	12,079.76	8,218.80	7,256.02	9,930.03
Trade Receivables (Non-Current Asserts)	183.3	104.59	209.74	139.59	107.96
Trade Receivables (Current Asserts)	4,505.64	3,049.57	2,408.26	2,520.68	2,384.27
Total Trade Receivables	4,688.94	3,154.16	2,618.00	2,660.27	2,492.23
Average Trade Receivables	3921.55	2886.08	2639.135	2576.25	
Trade Receivables Turnover Ratios	1.927638	4.185525	3.114202	2.816505	

Line Chart of Trade Receivables Turnover Rati
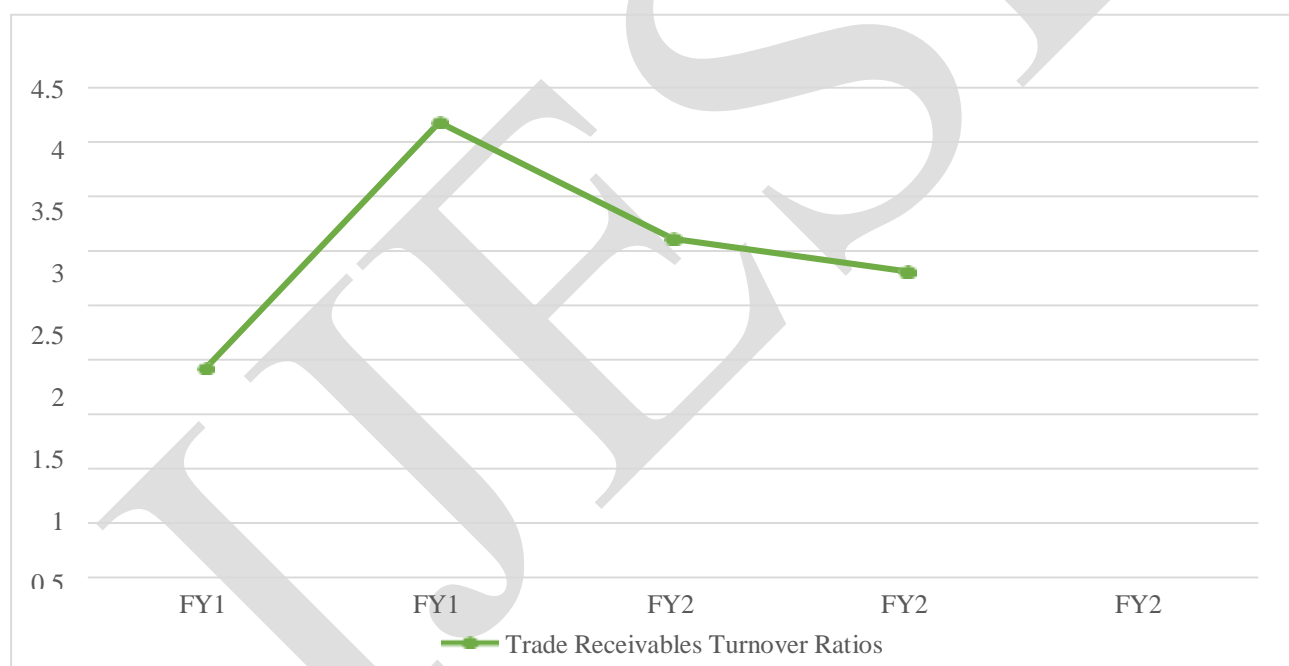
INTERPRETATION:

Trade Receivables turnover ratio is used to measure how efficiently a company iscollecting its revenue. A high trade receivables turnover ratio means a company is more efficient in processing credit. If a company's trade receivable turnover ratio is decreased that means a company is notable to collect the revenue before the due date from the customers. If a company has totally failed to collect the trade receivables from its customers, thenthe company has the chances to have a negative ratio.

10

2. CALCULATION OF INVENTORY TURNOVER RATIO

Particulars	FY18	FY19	FY20	FY21	FY22
COGS	7,559.33	12,079.76	8,218.80	7,256.02	9,930.03
Total Inventory	1,695.56	512.94	514.83	526.8	787.78
Average Inventory	1,104.25	513.89	520.82	657.29	
Inventory Turnover Ratios	6.85	23.51	15.78	11.04	
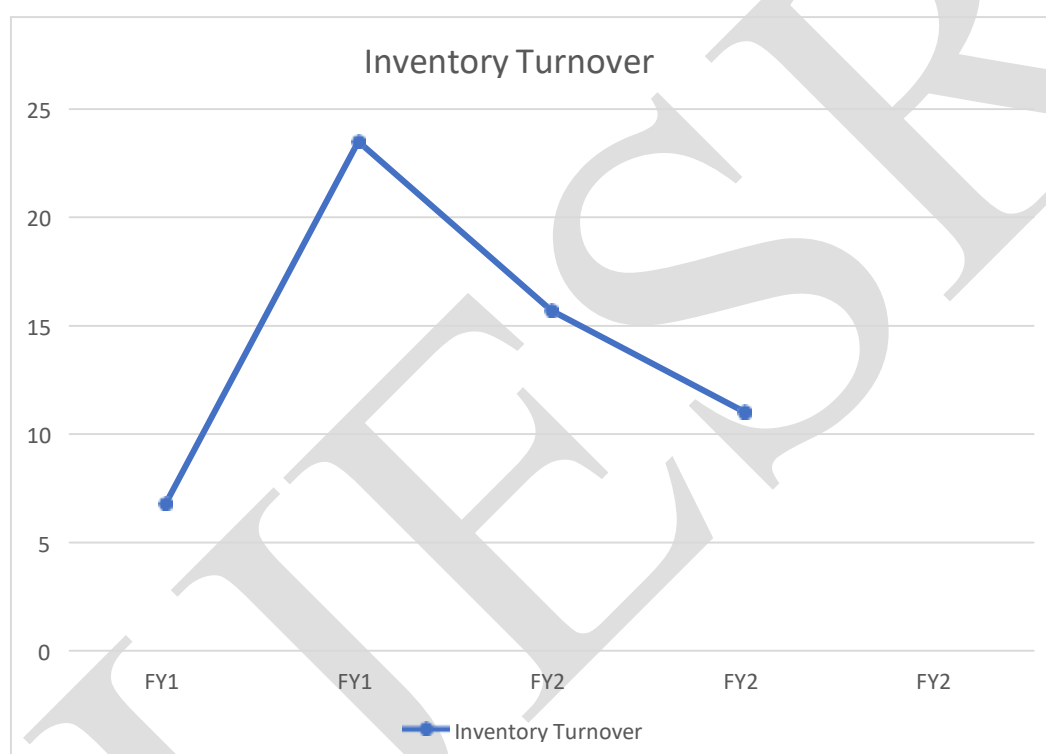
INTERPRETATION:

Inventory turnover ratio is calculated to see if business has excessive inventory. A high inventory turnover ratio indicates a strong sale. A low inventory turnover ratio indicates a weak sale or decreasing market demand ofthe goods. Inventory turnover ratio are desirable for comparing similar companies. The inventory turnover ratio is used to check the efficiency of the company to increasethe overall turnover of the company.
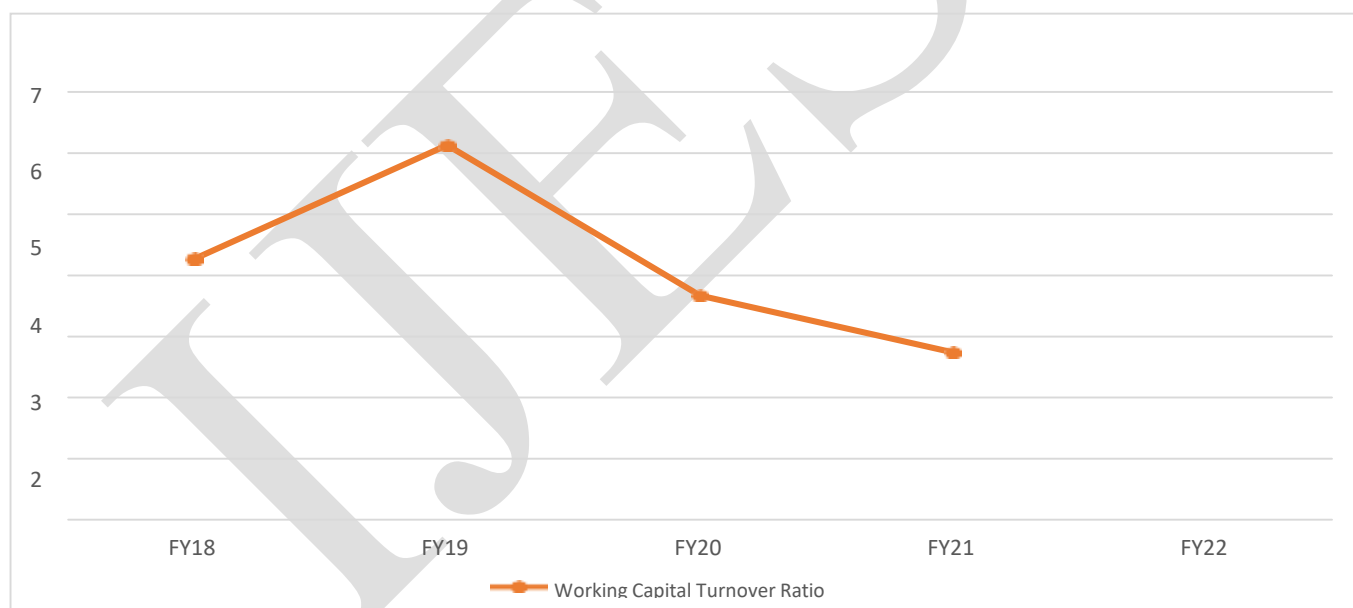
WORKING CAPITAL TURNOVER RATIO

Working capital turnover is a ratio that measures how efficiently a company is using its working capital to support sales and growth.

Working Capital Turnover Ratio = Net Sales /Average Working Capital*

Average Working Capital= (Beginning (WC) + Ending (WC)) / 2 **Working capital Turnover (in days)** = Working capital Turnover Ratio ÷ 365

2. CALCULATION OF INVENTORY TURNOVER RATIO

Calculation Of Working Capital Turnover Ratio

Particulars	FY18	FY19	FY20	FY21	FY22
Net Sales	7,559.33	12,079.76	8,218.80	7,256.02	9,930.03
Current Asserts	7,923.73	9,862.38	9,437.92	9,607.18	10,715.90
Current Liabilities	6,300.97	7,952.13	7,407.05	7,167.35	7,868.98
Working Capital	1,622.76	1,910.25	2,030.87	2,439.83	2,846.92
Average Working Capital	1766.505	1970.56	2235.35	2643.375	
Working Capital Turnover Ratio	4.2792576	6.1301153	3.6767397	2.7449832	

INTERPRETATION:

Working capital turnover measures how effective a business is at generating sales forevery dollar of working capital put to use. A higher working capital turnover ratio is better, and indicates that a company is able to generate a larger amount of sales. A higher working capital turnover ratio is better, and indicates that a company is ableto generate a larger amount of sales. A low ratio may indicate that a business is investing in too many accountsreceivable and inventory to support its sales.

TOTAL ASSERTS TURNOVER RATIO

The asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The asset turnover ratio can be used as an indicator of the efficiency with which a company is using its assets to generate revenue.

Total Asserts Turnover Ratio = Net Sales /Average Total Asserts***Average Total Asserts =** (Beginning (TA) + Ending (TA)) / 2 **Total Asserts Turnover in Days**

Total Asserts Turnover (in days) = Total Asserts Turnover Ratio ÷ 365

3. CALCULATION OF TOTAL ASSERTS TURNOVER RATIO

Particulars	FY18	FY19	FY20	FY21	FY22
Net Sales	7,559.33	12,079.76	8,218.80	7,256.02	9,930.03
Current Asserts	7,923.73	9,862.38	9,437.92	9,607.18	10,715.90
Non-Current Asserts	2,876.84	3,259.57	3,332.46	3,091.47	3,110.71
Total Asserts	10,800.57	13,121.95	12,770.38	12,698.65	13,826.61
Average Total Asserts	11961.26	12946.165	12734.515	13262.63	
Total Asserts Turnover Ratio	0.6319844	0.93307632	0.6453956	0.5471026	

Total Asserts Turnover Ratio
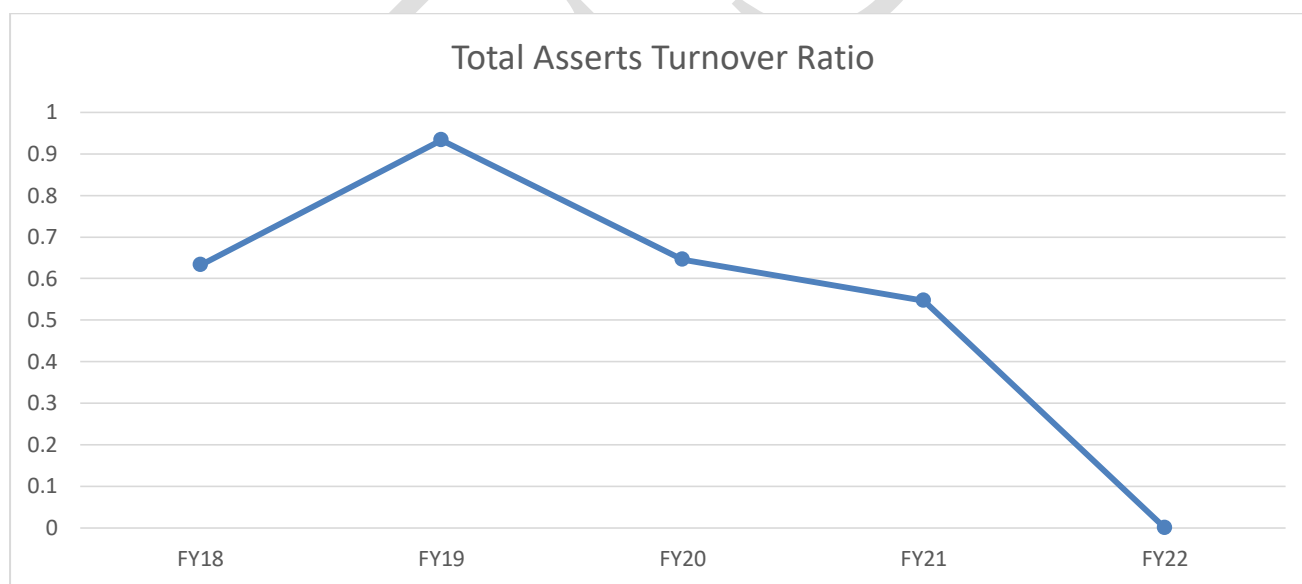
INTERPRETATION:

This helps investors understand how effectively companies are using their assets togenerate sales. Investors use the asset turnover ratio to compare similar companies in the samesector or group.
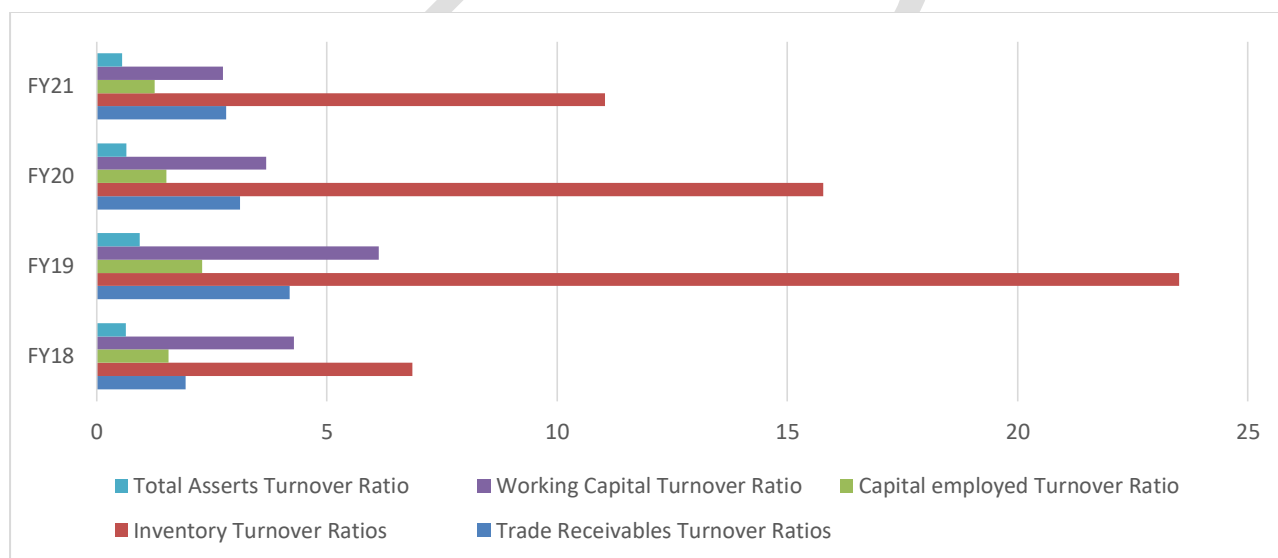
A higher ratio of the total asserts turnover ratio indicates the company is efficiently using its assets. A low ratio of total asserts turnover ratio indicates that the company is not using its asserts efficiently.

13

ASSETS TURNOVER RATIO

From the analysis and interpretation of data, researcher has some findings. On the basis of the researchers has given some suggestions the organization. For the improvement in the company's overall turnover and attracting new creditors for the investment in the company.

Table Of The Turnover Ratios Of NCC ltd.

Particulars	FY18	FY19	FY20	FY21
Trade Receivables Turnover Ratios	1.927638	4.185525	3.114202	2.816505
Inventory Turnover Ratios	6.85	23.51	15.78	11.04
Capital employed Turnover Ratio	1.55765	2.285712	1.50878	1.263132
Working Capital Turnover Ratio	4.279258	6.130115	3.67674	2.744983
Total Asserts Turnover Ratio	0.631984	0.933076	0.645396	0.547103

INTERPRETATION:

Total asserts turnover ratio also shows higher ratio on FY19 than other years. The drastic decrease in the turnover ratios from FY19 was because of the covid - 19 pandemic. The low and decreased turnover ratios of the company indicates that the company is not using its resources efficiently to increase its overall turnover of the company. In the FY19 the turnover ratios have been higher compared to any other years, the higher turnover ratios in FY19 indicates the company was more efficient in working inthe FY19 than any other years.

CONCLUSION

The calculations of the turnover ratio help the company in gaining more investors and creditors for the company. The company should try and increase its trade receivable turnover ratio because the high ratio indicates the company is efficient in collecting revenue from its debtors and it helps in better cash flow in the company. A high inventory turnover ratio indicates strong sales, therefore on the other hand a too high inventory turnover ratio indicates lost sales and negatively affects sales. The higher the capital employed turnover ratio the better the company is using its capital employed concerning the sales of the company, this shows the ability of the company to generate the maximum profits using the minimum capital employed. The company should have a high working capital turnover ratio because it indicates that the company is running its operations efficiently. The working capital turnover ratio helps to determine the financial performance of the company. The company should always have a high turnover ratio because the high ratio indicates that the company can generate revenue from its assets. The turnover ratios should be calculated to have a proper check on the company's performance. The needed decisions should be taken to improve the performance of the company for its growth and development. The turnover ratio in business is a measurement of the firm's efficiency. Turnover ratios are the technical indicator. A high turnover ratio is not necessarily bad, nor is a low turnover ratio necessarily good. An investor should be aware of the consequences that are attached to their decisions based on the turnover ratios. A high turnover ratio indicates a company is earning a good amount of revenue. An increase in turnover ratios of the company also increases the overall turnover ratio of the company i.e. (the profitability ratio). It is noticed that the higher the turnover ratio the more efficient the company runs its business.

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