“FINANCIAL STATEMENT ANALYSIS IN ULTRATECH CEMENT LIMITED”

PROJECT REPORT SUBMITTED TO THE KARNATAK UNIVERSITY, DHARWAD IN PARTIAL FULFILLMENT OF REQUIREMENTS FOR THE DEGREE OF

BACHELOR OF COMMERCE

BY

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CERTIFICATE

This is to certify that the project report entitled "**FINANCIAL STATEMENT ANALYSIS IN ULTRATECH CEMENT LIMITED**" submitted by **Miss**. **NIKITA M HARIKANTRA**, Student of Commerce Karnataka University, **KWT'S DIVEKAR COLLEGE OF COMMERCE**, **KARWAR** under the guidance of Lecturer in Commerce – **MR**. **SHUBHAM TALEKAR**, Department of Studies and Research in Commerce, **KWT'S DIVEKAR COLLEGE OF COMMERCE**, **KARWAR**, for the
award of B.Com. Degree is a record of independent project work.

This project is based on the studies carried out in the department and the project work or part of it has not been submitted for any other degree, diploma, associate ship, fellowship or other similar title.

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DECLARATION

I hereby declared that work presented in this project report entitled "**FINANCIAL STATEMENT ANALYSIS IN ULTRATECH CEMENT LTD**" has been carried out by me under the guidance and supervision of **Mr SHUBHAM TALEKAR** Lecturer Department of Studies and Research in Commerce, **KWT'S DIVEKAR COLLEGE OF COMMERCE**, **KARWAR**.

I am submitting this project report to **KARNATAKA UNIVERSITY**, **DHARWAD** as the partially fulfilment of requirement for the award of B.Com. Degree.

I also declared that, this project report or part of it has not been previously submitted for the award of any other degree, Diploma, associate ship, fellowship or other similar title.

Date:

Place: Karwar **NAME: NIKITA M HARIKANTRA**

ACKNOWLEDGMENT

Any project work either big or small cannot be undertaken & completed satisfactory without the co-operation, supervision & guidance of right person & at right time. It gives me immense pleasure to acknowledge the assistance extended by various individuals, institution in completion of this project.

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At the outset, I would like to place on record, my sincere thanks to each and every person for helping me in doing my project.

Lastly I express my gratitude to my **FAMILY** and **FRIENDS** for the encouragement and moral support.

Date:

Place: Karwar

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CHAPTER: 1 INTRODUCTION

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INTRODUCTION

Financial analysis is the process of evaluating a company's financial performance and position by reviewing its financial statements (like the income statement, balance sheet, and cash flow statement). It involves analysing key metrics such as profitability, liquidity, solvency, and efficiency to assess how well the company is performing financially and to make informed decisions about investment, lending, or management strategies. It can be done through various methods, including ratio analysis, trend analysis, and comparing performance to industry benchmarks.
Typically, financial analysis is used to analyse whether an entity is stable, olvent, liquid, or profitable enough to warrant a monitory investment. Thus the analysis & interpretation of financial statement is very essential to measure the efficiency profitability, financial soundness & future prospects of business units.

OBJECTIVE OF THE STUDY

1. To study the financial position of the company.
2. To compare the profitability position of the company.
3. To know the credit worthiness position of the company.
4. To observe the operating efficiency of the company.
5. To give the suitable conclusions, suggestions for the better improvement of the company.

NEED AND IMPORTANCE OF STUDY

Financial performance of an enterprise will affect other types of performance and also the productive of finances is good, the productivity of men and material would be good.

Moreover the study of non-economic and qualitative performance, which studies the non-economic factors like customer satisfaction, citizen satisfaction etc**.**

METHODOLOGY:

The study carried with the corporation of the management who permitted to carry of the study and provided the requisite data collected from the following sources:

- Secondary data

Study has been taken from secondary sources published annual report of the company editing, classifying and tabulation of the financial data.
For this purpose performance data of Ultra Tech Cement Ltd. , for the years 2018,2019,2020,2021, 2022.

SCOPE OF STUDY:

The scope and period of the study is being restricted to the following :
1. The scope is limited to the operation of the Company.
2. The information obtained from secondary data was limited to the Company.
3. The profit and loss, the balance sheet was on the last five years.

LIMITATION OF THE STUDY:

1. The study is confined to the period of the last five years.
2. As most of the data is from the secondary sources, hence the accuracy is limited

CHAPTER: 2 COMPANY PROFILE

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COMPANY PROFILE

UltraTech Cement Limited is the largest manufacturer of grey cement, ready-mix concrete (RMC), and white cement in India. It is a flagship company of the Aditya Birla Group, a well known Indian multinational conglomerate. UltraTech Cement holds a significant position not only in India but also in the global cement industry, being among the top cement producers worldwide. Headquartered in Mumbai, Maharashtra, the company has an extensive presence across the country with manufacturing units, grinding units, and bulk terminals strategically located to serve various regional markets efficiently.

HISTORY

Established in 1983, UltraTech Cement has grown over the decades through a series of mergers, acquisitions, and expansions. It took a major leap in 2004 when it acquired the cement business of Larsen & Toubro Ltd, which gave the brand a strong foundation in the Indian market. Since then, UltraTech has continued to expand its capacity and reach, both in India and in international markets such as the Middle East, Sri Lanka, and the UAE. With a current capacity of over 130 million tonnes per annum (MTPA), UltraTech is committed to meeting the growing demand for high-quality cement and construction solutions.

UltraTech is known for its focus on innovation, sustainability, and operational excellence. It offers a wide range of products to meet the diverse needs of the construction industry, including Ordinary Portland Cement (OPC), Portland Pozzolana Cement (PPC), Portland Blast Furnace Slag Cement (PSC), and speciality products tailored for specific applications. The company also places a strong emphasis on green practices, with many of its plants certified as zero-discharge units and powered by renewable energy sources. Through its commitment to sustainable development, UltraTech aims to minimize its carbon footprint and promote environmentally responsible construction practices.

Overall, UltraTech Cement Limited represents strength, reliability, and quality in the construction industry. With a deep-rooted presence, strong leadership under the Aditya Birla Group, and continuous efforts towards innovation and sustainability, UltraTech has positioned itself as a key player shaping the future of infrastructure and urban development in India and beyond.

Company Vision, Mission, and Objectives

Vision

UltraTech Cement's vision is to be the leading and most respected cement company in the world by delivering superior value to customers, employees, shareholders, and society. The company aims to create sustainable infrastructure and contribute to India's growth story while setting benchmarks in quality, innovation, and environmental responsibility.

Mission

Customer Satisfaction:
To provide high-quality cement products and building solutions that meet the evolving needs of customers and deliver exceptional value and performance.

Sustainable Growth:
To drive growth by embracing eco-friendly practices, conserving natural resources, and reducing carbon footprint through innovation and technology.

Operational Excellence:
To maintain leadership in cost efficiency, product innovation, and service quality while ensuring safety, reliability, and productivity in operations.

Values

Integrity:
Conduct business with honesty, fairness, and transparency.

Customer Focus:
Commit to exceeding customer expectations through consistent quality and service.

Sustainability :
Operate responsibly, minimizing environmental impact and promoting green initiatives.

Innovation :
Foster a culture of continuous improvement and embrace advanced technology.

Excellence :
Strive for operational excellence and industry leadership in all aspects.

Teamwork :
Promote collaboration, mutual respect, and collective growth.

SWOT analysis of UltraTech Cement Ltd :

The strengths, weaknesses, opportunities, and threats experienced by UltraTech Cement Ltd., a leading player in the cement industry, are summarized as follows:

➤ STRENGTH

- Market leader in the Indian cement industry.
- Strong backing by Aditya Birla Group.
- Wide distribution and manufacturing network.
- Advanced technological infrastructure.
- Focus on sustainability and green initiatives.

➤ WEAKNESS

- High dependence on the domestic market.
- Exposure to fluctuations in raw material costs.
- Capital-intensive operations.

➤ OPPORTUNITIES

- Growing infrastructure and real estate development in India.
- Expansion into international markets.
- Increasing demand for eco-friendly and green cement.
- Government initiatives like 'Smart Cities' and 'Housing for All'.

➤ THREATS

- Rising input and logistics costs.
- Regulatory challenges and environmental restrictions.
- Intense competition from regional and global players.

PRODUCTS AND SERVICES

1. CORE PRODUCT: CEMENT:

UltraTech Cement is India's largest producer of grey cement, white cement, and ready-mix concrete (RMC). Its product offerings include:

• Ordinary Portland Cement (OPC)
• Portland Pozzolana Cement (PPC)
• Portland Slag Cement (PSC)
• White Cement (Birla White)
• Ready-Mix Concrete (RMC)
• Waterproofing Solutions

2. READY-MIX CONCRETE (RMC) :

UltraTech operates a large network of RMC plants across India, catering to residential, commercial, and infrastructure projects.

Features:

- Quick and quality-assured concrete delivery
- On-site batching with modern equipment
- Custom mix designs for specific project needs.

3. BUILDING SOLUTIONS :

UltraTech offers a variety of services to assist individual home builders and contractors:

- UltraTech Building Solutions (UBS) retail outlets
- Technical guidance for home construction
- Site supervision and expert consultation
- Eco-friendly and sustainable construction

4. WHITE CEMENT & WALL CARE :

Under the brand Birla White, UltraTech offers:

• Birla White Cement (for walls, flooring, and creative finishes)

• Birla White WallCare Putty

• Texture finishes and decorative applications.

CHAPTER: 3 THEORETICAL FRAMEWORK OF FINANCIAL STATEMENT ANALYSIS

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THEORETICAL FRAMEWORK OF FINANCIAL STATEMENT ANALYSIS

INTRODUCTION TO FINANCE:

Financial Statement Analysis is the process of examining and interpreting a company's financial reports to gain insights into its financial health, performance, and future prospects. This analysis involves the study of key financial statements such as the balance sheet, income statement, and cash flow statement. By evaluating these documents, analysts, investors, lenders, and management can assess a company's profitability, liquidity, solvency, and operational efficiency. The purpose of financial statement analysis is to support informed decision-making, whether for investment, credit, or internal strategic planning. It employs various tools and techniques like ratio analysis, trend analysis, and comparative analysis to draw meaningful conclusions. Financial statement analysis plays a crucial role in identifying strengths and weaknesses, understanding business trends, and forecasting future performance. Overall, it is a fundamental tool in both corporate finance and investment management.

SCOPE:

Business firms engage in three core activities:

- **Production**: Creating manufacturing capacities to produce goods or provide services.
- **Marketing**: Selling goods or services to earn profit.
- **Finance**: Acquiring funds to facilitate production and other operations.

The finance function intersects with production and marketing, although it can be distinctly identified by its primary activities: raising funds, investing in assets, and distributing returns to shareholders.

Key finance functions include:

- **Investment or Long-term Asset Mix Decision**: Determining the allocation of funds to different assets.
- **Financing or Capital Mix Decision**: Deciding the sources of funds (debt vs. equity).

- **Dividend or Profit Allocation Decision**: Deciding how profits are distributed to shareholders.
- **Liquidity or Short-term Asset Mix Decision**: Managing current assets and liabilities to ensure liquidity.

OBJECTIVES OF THE STUDY:

- To calculate important financial ratios as part of ratio analysis to understand changes and trends in the firm's financial position.
- To assess the performance of Ultratech cement co.ltd based on earnings and evaluate the company's solvency position.
- To identify the financial strengths and weaknesses of the organization.
- To provide appropriate suggestions to investors to help them make informed decisions.

SCOPE OF THE STUDY:

- The study's scope and period are restricted to the following:
- Operations of Ultratech cement CO.LTD=
- Information obtained from primary and secondary data limited to Ultratech cement CO.LTD
- Key performance indicators taken from 2017-2020.
- Analysis of profit and loss and balance sheets over the last three years.
- Comparison analysis conducted with industry peers and competitors.

LIMITATIONS OF THE STUDY:

- The study is confined to the last three years.
- Accuracy is limited as most data is derived from secondary sources.

METHODOLOGY:

The study relies on secondary data sources. SECONDARY DATA COLLECTION:

The study has been taken from secondary sources, primarily the published annual reports of Ultratech cement co. ltd. The financial data from the years 2017-2020 have been edited, classified, and tabulated for in-depth analysis.

IN-DEPTH ANALYSIS OF FINANCIAL STATEMENTS:

(A) DEFINITIONS:

The term "financial analysis" is also known as "analysis and interpretation of financial statements." It refers to the process of determining the financial strengths and weaknesses of the firm by establishing strategic relationships between items on the balance sheet, profit and loss account, and other operational data.

According to Mr. Harry Guttmann: "The first and most important functions of financial statements are, of course, to those who control and direct the business to the end of securing profits and maintaining sound financial conditions."

(B) NATURE OF FINANCIAL STATEMENTS:

The term "financial statements" refers to the balance sheet, which reflects the financial position of assets, liabilities, and capital of a particular company during a certain period, and the profit and loss account, which shows the operational results of the company during that period. Financial statements are plain statements of informed opinion uncompromising in their truthfulness. This means that, within the limits of accepted accounting principles and the abilities of those preparing them, they rely on judgments and estimates devoid of prejudice.

(C) CONVENTIONS:

According to the American Institute of Certified Public Accountants, financial statements reflect "a combination of recorded facts, accounting conventions, and personal judgments," and these judgments and conventions materially affect the financial statements. This implies that the values exhibited in the financial statements are influenced by recorded facts, accounting conventions, and personal judgments.

(D) USES AND IMPORTANCE OF FINANCIAL STATEMENTS:

Financial statements are mirrors reflecting the financial position and operating strengths or weaknesses of the firm. These statements are useful to management, investors, creditors, bankers, workers, the government, and the public at large. George O. May points out the following major uses of financial statements:

As a basis for taxation.

As a basis for price or rate regulation.

As a guide to the value of investments already made

As a basis for granting credit.

(E)LIMITATIONS OF FINANCIAL STATEMENTS:

Financial statements are interim reports and cannot be final because the actual gain or loss of a business can be determined only when it ceases operations.

They tend to give an appearance of finality and accuracy because they are expressed in exact monetary amounts. However, the value of these amounts depends on the value standards of the persons dealing with them.

The balance sheet loses its function as an index of current economic realities because financial statements are compiled based on historical costs while there may be significant changes in the value of the monetary unit and prices over time.

They do not account for many factors that affect financial conditions and operating results, such as the business's reputation, credit rating, employee efficiency and loyalty, and management integrity.

Due to these limitations, it is said that financial statements do not show the financial condition of the business rather they show the position of financial accounting for a business.

(F)PARTIES INTERESTED IN FINANCIAL STATEMENTS

Nowadays, the ownership of capital in many public companies is broad-based due to the dispersal of shareholding. Consequently, the public has a vested interest in financial statements. Besides shareholders, other interested parties include:

- **Potential Investors**: To evaluate the investment potential of the company.
- **Creditors, Potential Suppliers, and Others Doing Business with the Company**: To assess the company's creditworthiness.
- **Debenture Holders**: To understand the company's ability to meet its long-term debt obligations.
- **Credit Institutions like Bankers**: To determine the company's financial stability and credit risk.
- **Employees**: To gauge the company's financial health and job security.
- **Customers**: To ensure long-term continuity and reliability of the company.
- **Economic and Investment Analysts**: To provide insights and recommendations to the market.
- **Members of the Public**: To assess the company's role and impact on the economy and society.

(G) ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS:

Analysis and interpretation of financial statements aim to determine the significance and meaning of financial data to forecast future earnings, ability to pay interest, debt maturities (both current and long-term), and profitability to maintain a sound dividend policy.

The primary function of financial analysis is to pinpoint the strengths and weaknesses of a business by regrouping and analysing figures contained in financial statements, comparing various components, and examining their content. Financial managers use this analysis as a basis to plan future financial requirements through forecasting and budgeting procedures.

The analysis and interpretation of financial statements represent the final step in the accounting process, which includes:

- Analysis of each transaction to determine the accounts to be debited and credited, and measurement and valuation of each transaction to determine the amounts involved.
- Recording the information in the journals.
- Summarizing in ledgers and preparing worksheets.
- Preparing financial statements.

The results of this analysis provide valuable information for business managers, creditors, and investors. This requires a clear understanding of the financial items and their interrelationships. The analysis must identify sound and unsound relationships reflected in the financial statements. Data becomes more meaningful when measured and compared, establishing its relative significance.

(H)TYPES OF FINANCIAL STATEMENTS:

Financial statements primarily comprise two basic statements:

- The **Position Statement** or **Balance Sheet**: Reflects the financial position of assets, liabilities, and capital.
- The **Income Statement** or **Profit and Loss Account**: Shows the operational results over a specific period.

Accounting principles specify that a complete set of financial statements must include:

- A **Balance Sheet**: Showing the financial position at a specific point in time.
- An **Income Statement**: Showing the results of operations over a specific period.

- A **Statement of Changes in Owners' Equity**: Reflecting changes in the ownership interest.
- A **Statement of Cash Flows**: Showing the changes in financial position, indicating the cash inflows and outflows over a specific period.

BALANCE SHEET:

The balance sheet is a crucial financial statement that depicts the financial strength of a company at a particular point in time. It shows the company's assets (properties owned) on one side and its liabilities (claims owed to owners and outsiders) and equity on the other side. The balance sheet is divided into two parts:

- **Assets**: This includes current assets (cash, accounts receivable, inventory) and non- current assets (property, plant, equipment, intangible assets).
- **Liabilities and Equity**: This includes current liabilities (accounts payable, short- term debt) and long-term liabilities (bonds payable, long-term loans), and shareholders' equity (common stock, retained earnings).

INCOME STATEMENT OR PROFIT AND LOSS ACCOUNT:

The income statement is prepared to determine the operational performance of a company over a specific period. It is a statement of revenues and expenses, resulting in a net profit or net loss. The income statement can be divided into:

- **Revenue Section**: Includes all the earnings from sales or services.
- **Cost of Goods Sold (COGS)**: Reflects the direct costs attributable to the production of the goods sold by a company.
- **Gross Profit**: Calculated as revenue minus COGS.
- **Operating Expenses**: Includes selling, general, and administrative expenses.
- **Operating Income**: Gross profit minus operating expenses.
- **Other Income and Expenses**: Includes interest, taxes, and other non-operating items.
- **Net Profit or Loss**: The final figure after all expenses have been deducted from total revenue.

STATEMENT OF CHANGES IN OWNERS' EQUITY:

The statement of changes in owners' equity shows the changes in the equity portion of the balance sheet over a reporting period. It consists of two main elements:

- **Paid-up Share Capital**: The initial amount of funds invested by shareholders.
- **Retained Earnings/Reserves and Surplus**: Represents undistributed profits that are reinvested in the business.

This statement displays the beginning balance of each equity account, the reasons for increases or decreases (e.g., net income, dividends), and the ending balance. In many cases, it focuses on changes in retained earnings.

STATEMENT OF CHANGES IN FINANCIAL POSITION:

The statement of changes in financial position, also known as the cash flow statement or funds statement, provides a comprehensive view of the cash inflows and outflows over a period. This statement helps to understand the changes in assets and liabilities not evident in the profit and loss account. It takes two primary forms:

- **Funds Statements**: Focus on the sources and uses of funds, typically highlighting working capital changes.
- **Cash Flow Statements**: Provide detailed insights into cash movements, divided into operating, investing, and financing activities.

TOOLS OF FINANCIAL ANALYSIS USED IN THE STUDY:

MEANING OF COMPARATIVE STATEMENT:

Comparative financial statements present the financial position of a company over different periods in a comparative form. This allows for a clear analysis of the financial position over time, highlighting trends and changes. The comparative statement may include:

- **Absolute Figures**: Actual monetary values of financial items.
- **Changes in Absolute Figures**: Increases or decreases in monetary values over different periods.

- **Percentage Changes**: Expressing changes in absolute figures as percentages to easily identify trends and significant changes.

These tools help in pinpointing strengths and weaknesses by analysing figures, making comparisons, and examining their content. The financial manager uses these analyses for forecasting, budgeting, and planning future financial requirements.

COMPARATIVE BALANCE SHEET

A comparative balance sheet provides a financial position of a business at specific points in time, typically comparing the financial data across multiple periods. This comparison helps in understanding how the financial position has changed over time by showing all assets owned by the business and the claims of owners and outsiders against those assets at different points in time. The main distinction between a balance sheet and an income statement is that the balance sheet represents the financial condition on a specific date, whereas the income statement covers a period.

COMPARATIVE INCOME STATEMENT

A comparative income statement provides results of the business operations over different periods. By comparing income statements from multiple periods, one can identify trends in sales, costs, and overall profitability. This comparison helps in assessing the performance and progress of a business over time.

GUIDELINES FOR INTERPRETATION OF INCOME STATEMENT

The analysis and interpretation of the income statement involves the following steps:

- **Sales vs. Cost of Goods Sold**:

Compare the increase or decrease in sales with the corresponding change in the cost of goods sold (COGS). An increase in sales does not always translate to increased profits unless the cost is controlled.

- **Operating Profit**:

Examine the gross profit by deducting COGS from sales. Then, deduct operating expenses (office, administrative, selling, and distribution expenses) from the gross profit to determine the operating profit. This step helps in understanding the effect of sales volume and cost control on profitability.

- **Net Profit**:

Assess the net profit by considering non-operating expenses (interest paid, losses from asset sales, deferred expenses) subtracted from the operating profit. This step provides an overall picture of profitability after accounting for all expenses.

- **Overall Profitability**:

Form an opinion on the overall profitability of the business. Summarize whether the profitability is good or needs improvement.

COMMON SIZE STATEMENTS

Common size statements provide a way to analyse financial statements by expressing each item as a percentage of a base amount, allowing for easy comparison across periods and with other businesses.

Common Size Balance Sheet:

In a common size balance sheet, each item is expressed as a percentage of total assets. Similarly, each liability is expressed as a percentage of total liabilities. This format helps in understanding the relative significance of each item on the balance sheet.

Common Size Income Statement:

In a common size income statement, each item is expressed as a percentage of total sales. This helps in establishing a significant relationship between each item and sales, making it easier to identify trends and compare profitability over time.

KEY TAKEAWAYS

- **Comparative Balance Sheet**: Analyses changes in assets, liabilities, and equity over different periods, highlighting financial position at specific dates.
- **Comparative Income Statement**: Shows operational results over multiple periods, identifying trends in profitability and performance.
- **Interpretation Guidelines**: Focus on sales vs. COGS, operating profit, net profit, and overall profitability to form a comprehensive understanding.
- **Common Size Statements**: Standardize financial data as percentages of totals, facilitating comparison and highlighting relative importance of different items.

These tools are essential for stakeholders, including management, investors, and creditors, to evaluate the financial health and performance of a business.

Trend analysis

Trend percentage:

The method of trend percentage in useful analytical device for the management since y substitution of percentage for large amounts, the clarity and readability are achieved.

Trend percentage are immensely helpful to compare financial information over time to a base year or period. We can calculate trend percentage by:

Selecting a base year or period Assigning a weight of 100 percent to the amount appearing on the base year financial statement A trend percentage is a measure of the percentage change between two data points. This figure can then be used to understand how a specific series of data is changing over time.

Ratio analysis

An absolute figure does not convey much meaning. Therefore, becomes necessary to study a certain in relation to some other relevant figure to arrive at certain conclusion e.g. if we are given figure of only net profit is heavy reasonable or insufficient for this purpose, we must take into consideration the figure of sales to decide, the percentage of net profit to sales. Based on this percentage, we can conclude, whether net profit earned its reasonable or otherwise. Thus, relationship between two figures expressed mathematically is called ratio. The ratio is calculated by dividing one figure by another figure.

Meaning of Ratio

Ratio are simply a means highlighting in arithmetical terms the relationship between figures drawn from various financial statements.

Robert Anthony: - defines ' a ratio as simply one number expressed in term of another.'

Ratio analysis means the process of computing determining and presenting relationship of items and groups of items in the financial statements. It involves three steps –

- The financial manager selects from the statement those sets of data which are relevant to his objective of analysis and calculates appropriate ratio for the firm.
- The seconds sales for the comparison either with the industry standards or with the ratio of the same firm relating to past.
- After such comparison the conclusion may be drawn and presented in the form of report.

Significance of ratio

Financial statement provides an absolute figure. This absolute figure does not convey anything unless, it is related with the other relevant figure. The interrelationship that exists among the different items appeared in the financial statement, are revealed by
accounting ratios. Thus, they are equally useful to the internal management, prospective investors, creditors, and outsiders etc. Besides, ratios are very much significant to
increase the efficiency of the management, to reduce the expenditure and to increase the rate of profit. The importance of ratio analysis is discussed here under.

It helps to analysis the probable causal relation among different items after analysing the scrutinizing the past result.

Ratio analysis helps to the management to prepare various budgets, to formulate policy and to prepare the future plan of action and thus helps as a guide. It to harmonize amount different items for preparing budgets.

It helps to take time dimension into an account by trend analysis i.e. whether the firms are improving or deteriorating over several years, that can easily be studied by the trend analysis so, comparison can be made without difficulty by the analysis and to see whether the said that ratio is high or low in comparison with the standard or normal ratio

It throws light on the degree of efficiency of the management and utilization of the assets and that is why it is called survey of efficiency.

It helps to make an interfirm comparison either between the different departments of a firm or between two firms employed in the identical types of business or between the same firm of two different dates. Thus, the comparative analysis can be possible between the industry average ratio and the ratio of each business unit.

Short term liquidity position e.g. to maintain its short-term obligations or not that can be easily known and measured by the application of leverage or profitability ratio. Thus, the ratio helps an invaluable aid to the users of financial statement.

Ratio analysis helps to the management for comparison present ratios with past and expected future ratios.

Ratio analysis helps to the management for decision making.

Types of ratios

Financial ratio has been classified in several ways i.e. according to nature of items, which are re-classified into balance sheet ratios on profit and loss A/c and composite ratio.

Liquidity Ratios

Liquidity refers to the ability of firm to meet its obligation in short-run, usually period one year. Liquidity values are generally based on relationship between current assets and current liabilities**.**

Current ratio

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio is also known as working capital ratio. Current ratio analysis of a short-term financial position or liquidity of a firm. It is calculated by dividing the total of current assets by total of current liability.The two basic components of this ratio are current assets and current liabilities. Current assets include cash and those assets which can be easily converted into cash within a short period of time generally one year such as marketable securities, bills receivables, sundry debtors, inventories, pre-paid expenses etc.

current liabilities are those obligation which are payable within a short period of generally one year and include outstanding expenses, bills payable, Sundry creditors, accrued expenses, short term advances, income tax payable, dividend payables etc. It is a ratio of current assets to current liabilities some have suggested that in order to ensure solvency of a concern. Current assets should be at least twice the current liability.

Components of current ratio

Current assets	Current liabilities
Cash in hand Cash at bank Marketable securities (short term) Short-term investment Bills receivable Sundry debtors Inventories (stocks) Work in process Pre-paid expenses	outstanding expenses / accrued expenses bills payable sundry creditors short term advances income- tax payable dividend payable bank overdraft

Significance

This ratio indicates the solvency of be business i.e. ability to meet the liability of the business as and when they fall due. 2:1 ratio is satisfactory ratio. A high current ratio is also not desirable. It means less efficient use of funds and therefore this will result in considerably lowering down the profitability of the concern.

It is to be noted that high does not mean that current ratio is quite high does not mean that the bank will be in a position to meet adequate its short-term liabilities. In fact, the current ratio should be seen in relation to the component of current assets and current liabilities.

Quick or Acid test or Liquid Ratio

Quick ratio, also known as Acid test or liquid ratio, is a more rigorous test of liquidity that the current ratio. The term liquidity refers to the ability of a firm to pay its short- term obligations as and be they become due. The two determinants of current ratio, as a measure of liquidity, are current assets and current liabilities. Current assets include, inventor and prepaid expenses which are not easily convertible into cash within a short- period. Quick ratio may be defined as the relationship between quick liquid assets and liquid liabilities. Cash in hand and cash at bank are the most liquid assets. The other assets which can be included in the liquid assets are bills receivables, sundry debtors, marketable securities and short-term or temporary investments prepaid expenses and inventories are excluded from current assets. The quick ratio can be calculated by dividing the total of quick assets by total current liabilities.

Liquid ratio = current assets-inventory-prepaid expenses/current liabilities

The current ratio fails to serve as a realistic guide to the solvency of the bank, as the major portion of the converted liabilities in cash i.e. stock to meet the immediate liabilities. Therefore, liquid ratio is used to know the adequacy of funds. The liquid or quick ratio indicates the relation of quick assets with quick liabilities. Quick or liquid assets includes current assets except stock and prepaid expenses. Quick liabilities include currents liability except outstanding expenses and bank overdraft. This ratio 1:1 is satisfactory ratio

Components of quick/liquid ratio

Quick/ liquid assets	Quick/ liquid liabilities
cash in hand cash at bank bills receivables sundry debtors temporary investment	outstanding/accrued expenses bills payable sundry creditors short term advances (payable shortly) income tax payable dividend payable bank overdraft

Significance of Quick ratio

The quick ratio is very useful in measuring the liquidity position of a firm. It measures the firm's capacity to pay off current obligations immediately and is a more rigorous test of liquidity that the current ratio.

Quick ratio is measure of the extent to which liquid resources are immediately available to meet current obligation. This ratio is more rigorous test of liquidity than the current ratio 40 and when used in conjunction with it, given a better picture of the firm's ability to meet, its short-term debts out of short-term assets.

Absolute liquid or cash position ratio

Although receivables, debtors and bills receivable are generally more liquid than inventories yet there may be doubts regarding their realization into cash immediately or in time. Hence, some authorities are of the opinion that the absolute liquid ratio should also be calculated together with current ratio and acid test ratio so as to exclude even receivables from the current assets and find out the absolute liquid assets.

Absolute liquid assets include cash in hand and cash at bank and marketable securities or temporarily investment. The acceptable norm for this ratio is 50% or 0.5:1 or 1:2. Rs. 1 worth absolute liquid assets are considered adequate to pay Rs. 2 worth current liabilities in time as all the creditors are not expected to demand cash at the same time and then cash may also be realized from debtors and inventories.

Leverage / Safety Ratio

The purpose of calculating these ratios is to ascertain the stake of proprietors, vis a vis the creditors. In an undertaking where the proprietors, fluids from a small part, the maximum risk must be borne by the creditors. In financial terms a large amount of debt capital related to equity is called high capital gearing, where as a 15165 41 large amount of equity capital, related to debt is called low capital gearing.
Some of the important ratios are discussed are as follows.

Proprietary or Equity Ratio.

A variant to the debt-equity ratio is the proprietary ratio which is also known as equity ratio or shareholders to total equities ratio or net worth or total assets ratio. This ratio establishes the relationship between shareholders' funds to total assets of the firm. The ratio of proprietor's funds to total funds is an important ratio for determining long-term
solvency of a firm. The components of this ratio are shareholders' funds or proprietors' funds and total assets. The shareholders' funds are equity share capital, preference share capital, undistributed profits, reserves, and surpluses. Out of this amount accumulated losses should be deducted. The total assets other hand denotes total resources of the concern.
The ratio establishes the relationship between proprietors' funds and total assets. 100% less percentage of this ratio = ratio of total liabilities total assets. If this ratio is 75%. It means ratio of total liabilities to total assets 25%. Equity ratio represents the relationship of owner's funds to total assets, higher the ratio or the share of the shareholders in the total capital of the company, better is the long-term solvency position of the company. The ratio 42 indicates the extent to which the assets of the company can be lost without affecting the interest of creditors of the company.

Significance-

Greater is the percentage of proprietors fond, the stronger is financial position of the concern. This ratio is normally a test of strength of credit worthiness of the concern. To the extent percentage of liabilities increase or the percentage of capital windless, the credit strength of the concern deteriorates.

The high proprietary ratio is however, frequently indicative of over capitalization and an excessive investment in fixed assets in relation to actual needs. A ratio nearing 100% often gives low earnings per share and consequently a how rate of dividend to shareholders. A low proprietary ratio on the other hand is a symptom of under capitalization and an excessive. Use of creditors funds to finance the business.

Debt to Equity Ratio or Total Liabilities to Proprietors funds Ratio.

It is a measure of the relative claims of creditors and owners against the assets of the firm.

The term total debt includes all debts i.e. long term, short term, mortgages, bills, debentures etc. whereas the term net worth means equity share capital, preference share capital, reserve and surplus i.e. shareholders' funds or equity. 1:1 ratio is desirable.

Significance:

It is a measure of financial strength of a concern. Lower the ratio greater is the security available to creditors. A satisfactory current ratio and ample working capital may not always be a guarantee against insolvency, if the total liabilities are inordinately large.

The purpose of this ratio is to derive an idea of the amount of capital supplied by the owners and of assets, cushion available to creditors on liquidation. Generally, 1:1 ratio is acceptable. The greater the interest of the owners as compared with that of the creditors, the more satisfactory is the financial structure of the business, because in such a situation. The management is less handicapped by interest charges and debt repayment requirements.

A company having a stable profit can afford to operate on a relatively high debt equity ratio where as in the case of the company having an unstable profit a high debt equity ratio reflects a speculative situation. Too much reliance on external equities may indicate under capitalization, where as too much reliance on internal equities may lead to over capitalization.

Fixed assets to net worth ratio

This ratio is also called fixed assets to tangible net worth or capital to fixed assets ratio. This ratio establishes the relationship between fixed assets and shareholders' funds i.e. share capital plus, reserves, surpluses and retained earnings. This ratio can be calculated as follows.
The ratio of fixed assets to net worth indicates the extent to which shareholders' funds are sunk into the fixed assets. Generally, the purchase of fixed assets should be financed

By shareholders equity including reserve, surpluses and retained earnings. If the ratio is less than 100% it implies that owners' hinds are more than total fixed assets and a part of the working capital is provided by shareholders. When the ratio is more than 100%. It implies that owners' funds are not sufficient to finance the fixed assets and the firm has to depend upon outsiders to finance the fixed assets. There is no rule of thumb to interpret this ratio but 60% to 65% is satisfactory ratio in case of industrial undertakings.

Significance:

Normally proprietors should provide all the funds required to purchase fixed assets. If the ratio exceeds 100%. If indicates that the company has used short term funds for acquiring fixed assets. This policy may not be desirable. To the extent the fixed assets exceed the amount of capital and reserve, the working capital is depleted. When the amount of proprietor's fund exceeds the value of fixed assets i.e. when the percentage is less than 100, a part of the networking is supplied by the shareholders providing that there are no other non-current assets. Through, it is not possible to pay down a rigid standard as regards the percentage of capital. Which should be invested in fixed assets in each industry, there always is a maximum. Which should not be exceeded, so that the harmony 45 among the fixed assets, debtors and stock is not disturbed. The ratio should generally be 65%.

Interest Coverage Ratio.

Interest coverage ratio is also called as debt service ratio. Net income to debt service ratio or simply debt service ratio is used to test the debt servicing capacity of a firm. The ratio is also known as interest coverage ratio or coverage ratio or fixed charges cover or times interest earned.

This ratio is calculated by dividing the net profit before interest and taxes by fixed interest charges.
Interest coverage ratio indicates the number of times interest is covered by the profits available to pay the interest charges. Long - term creditors of a firm are interested in knowing the firm's ability to pay interest on their long - term borrowing.

Generally, higher the ratio, safer are the long-term creditors because even if earnings of the firm fall, the firm shall be able to meet its commitment of fixed interest charges. But a too high interest coverage ratio may not be good for the firm because if may imply that firm is not using debt as a source of finance so as increase the earnings per share. The interest coverage ratio does not take into consideration other fixed obligations like payment of preference dividend and repayment of loan instalment.

The standard interest coverage ratio is six-seven times. The weakness of the ratio would indicate difficulty in securing additional funds from outside sources. However too high ratio may mean every conservative use of debt is being made by the firm. A lower ratio indicates excessive use of debt and points out that the firm should improve that operating efficiency or repay the debt to improve the coverage. Normally the standard ratio is taken to be 6 to 7 times.

Activity Efficiency Ratio

They are called efficiency or performance ratios or assets management ratio. The purpose of this ratios is to judge how effectively its company is utilizing the facilities at its command. The better the management of assets the large is the number of sales and the profits. Activity ratio measure- the efficiency or effectiveness with which a firm manages its resources or assets.

Total assets to turnover Ratio

This ratio is arrived at by dividing sales by total assets.

This ratio indicates the sales generated per rat of investment in total assets. Thus, it aims to point out the efficiency or inefficiency in the use of total assets or capital employed. Increase in ratio indicates more revenue is generated per rupee of total investment in assets.

Some analysis takes only tangible assets and in 47 that case the ratio will be arrived at by dividing assets and in that case the ratio will be arrived at by dividing sales by tangible assets only i.e. goodwill, patents, copyrights, and trademarks etc. are not considered normally standard ratio is taken 2 times.

Fixed Assets to Turnover ratio.

This ratio measures the efficiency in the utilization of fixed assets. This ratio indicates whether the fixed assets are being fully utilized. It is an important measure of the efficient and profit earning capacity of the business. A high ratio is an index of the overtrading while a low ratio suggests idle capacity and excessive investment in fixed assets. Normally standard ratio is taken as five times.

Profitability Ratio

The profitability reflects the find results of business operations. Profitability ratio depict the capacity of the unit to generate profits and its rate of return. The two popular profit margin ratios are gross profit ratio and net profit ratio.

The rate of return ratios on the other hand reflects the relationship between profit and investment. The important measures in this category are net income to total assets ratio, return on investment and return on equity ratio.

Net Profit Ratio

Net profit is that portion of net sales, which remains to the owners or the shareholders after all costs, changes and expenses include income tax, have been deducted net profit ratio establish the relationship between net profit (after taxes) and sales, and indicates the efficiency of the management in manufacturing selling, administrative and other activities of the firm. This ratio is the overall measure of firms' profitability and is The two basis elements of the ratio are net profits and sales. The net profits are obtained after deducting income - tax and generally non-operating incomes and expenses are excluded from the net profits for calculating this ratio.

Thus, incomes such as interest on investment outside the business profit on sale of fixed asset etc. are excluded. The ratio is very useful as if the profit is not sufficient the firm shall not be able to achieve a satisfactory return on its investment.

This ratio isindicating the firm’s capacity to face adverse economic conditions such as price completion, low demand obviously, higher the ratio, the better is the profitability. But while interpreting the ratio, it should be kept in mind that the performance of profits must also be seen in relation to investments or capital of the firm and not only in relation to sales. The differs from the ratio of operating profits to net sales in as much as it is calculated after adding non-operating incomes like interest, dividends on investments etc. to operating profits and deducting non-operating expenses, such as loss on operating expenses. Such as loss on sale of old assets, provision for legal expenses etc. tram such profits. The ratio is widely used as a measure of overall profitability and is very useful to the proprietor reading it along with the operating ratio gives on idea of the efficiency as well as profitability of the business to a limited extent.

Return on shareholders’ investment ratio

Return on shareholders’ investment popularly known as R.O.I. or return on shareholder proprietor’s funds is the relationship between net profit and the proprietors funds.

The two basic component of this ratio are net profits and shareholders’ funds. Shareholders’ funds include equity share capital preference share capital free reserves such as share premium, revenue reserve, capital reserve, retained earnings and surplus, less accumulated losses, if any.

Net profits are visualized from the viewpoint of owners i.e. shareholders. Thus, net profit is arrived at after deducting interest on long term borrowing and income tax, because those will be the only profits available for shareholders.

This ratio is one of the most important ratios used for measuring the overall efficiency of a firm. As the primary objective of business is to maximize its earnings, this ratio also indicates the extent to which this primary object of business is being achieved.

This ratio is of great importance to the present and prospective shareholder as well as the management of the company. As this ratio reveals how well the resources of a firm are being used, higher the ratio better are the results.

The return on shareholders investments should be compared with the return on other similar firm are attractive or not as the investment would like to invest only, where the return is higher, similarly, trend ratio can also be calculated for several years to get on idea of the prosperity, growth, or deteriorations which in the company’s profitability and efficiency.

CHAPTER: 4 DATA REPRESENTATION AND INTERPRETATION

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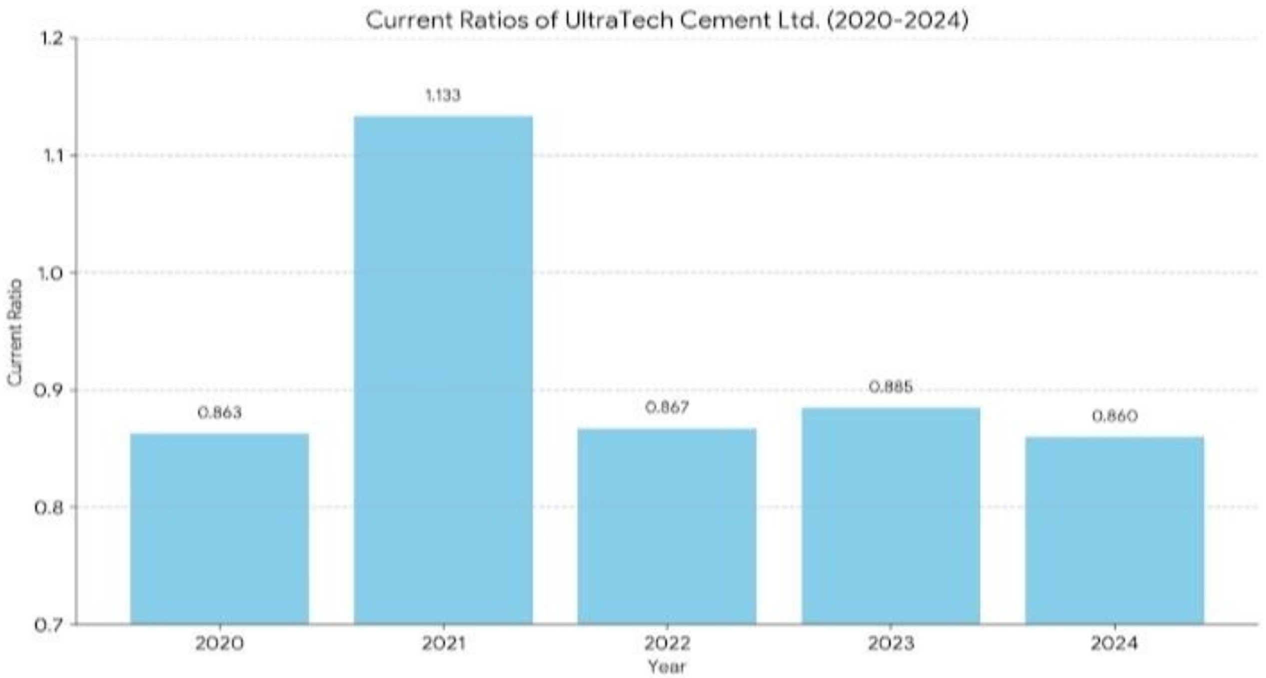
DATA REPRESENTATION AND INTERPRETATION

CURRENT RATIO :

Current ratio = Current assets / Current liabilities

(Rs in cr)

Year	Current assets	Current liabilities	Current ratio
2020	13,931.58	16,141.5	0.863
2021	23,053.69	20,347.76	1.133
2022	17,479.94	20,155.19	0.867
2023	20,724.88	23,431.79	0.885
2024	23,143.47	26,905.96	0.860



Note on Current Ratios of UltraTech Cement Ltd. (2020-2024) :

The current ratio is a key liquidity metric that assesses a company's ability to cover its short-term obligations with its short-term assets. A current ratio of 1.0 or greater is generally considered healthy, indicating that current assets exceed current liabilities.

For UltraTech Cement Ltd., the current ratios for the fiscal years 2020 to 2024 are as follows:

- 2020: 0.863
- 2021: 1.133
- 2022: 0.867
- 2023: 0.885
- 2024: 0.860

As observed from the data and the accompanying graph, the company's current ratio fluctuated over the five-year period. It was below 1.0 in 2020, 2022, 2023, and 2024, indicating that in these years, its current liabilities slightly exceeded its current assets. However, in 2021, the current ratio rose above 1.0, suggesting a stronger short-term liquidity position in that particular year.

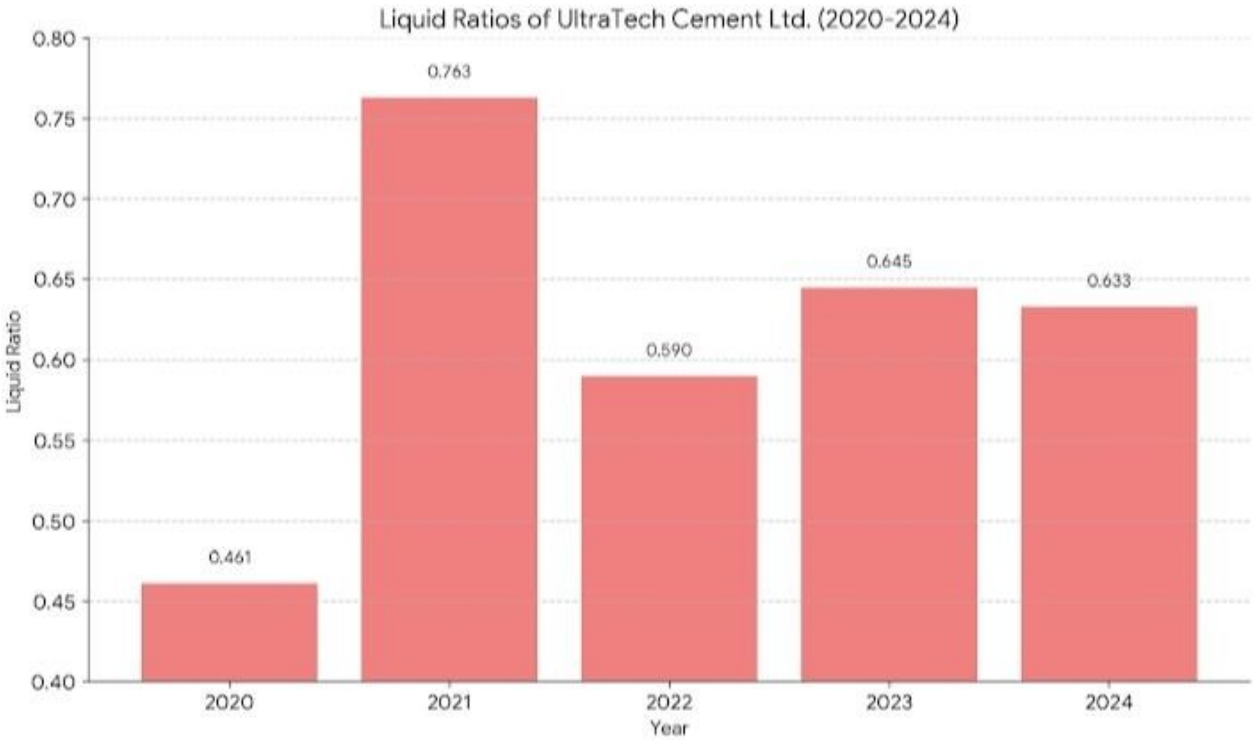
This trend indicates that while the company generally operates with a current ratio slightly below 1, it managed to improve its short-term liquidity significantly in 2021 before returning to levels below 1 in subsequent years.

LIQUID RATIO

Liquid ratio = Current assets - Inventories - Prepaid expenses / Current liabilities

(Rs in cr)

Year	Liquid assets	Current liability	Liquid ratio
2020	7.443.50	16,141.75	0.461
2021	15,521.51	20,347.76	0.763
2022	11,884.36	20.155.19	0.590
2023	15,107.51	23,431.79	0.645
2024	17,038.48	26,905.96	0.633



Note on Liquid ratio of UltraTech Cement Ltd. (2020-2024) :

The liquid ratio, also known as the acid-test ratio, is a more stringent measure of a company's short-term liquidity compared to the current ratio. It excludes inventories (and typically prepaid expenses) from current assets, as these are generally less liquid than other current assets.

For UltraTech Cement Ltd., the liquid ratios from 2020 to 2024 reveal the following:

- The liquid ratio consistently remained below 1.0 throughout the period. This indicates that even after excluding inventories, the company's highly liquid assets were not sufficient to cover its short-term liabilities in any of these years.
- The ratio saw an increase from 0.461 in 2020 to 0.763 in 2021, suggesting an improvement in the company's ability to meet its immediate obligations in that year.
- However, the ratio then declined in 2022 and remained in a similar range in 2023 and 2024 (0.590, 0.645, and 0.633 respectively).

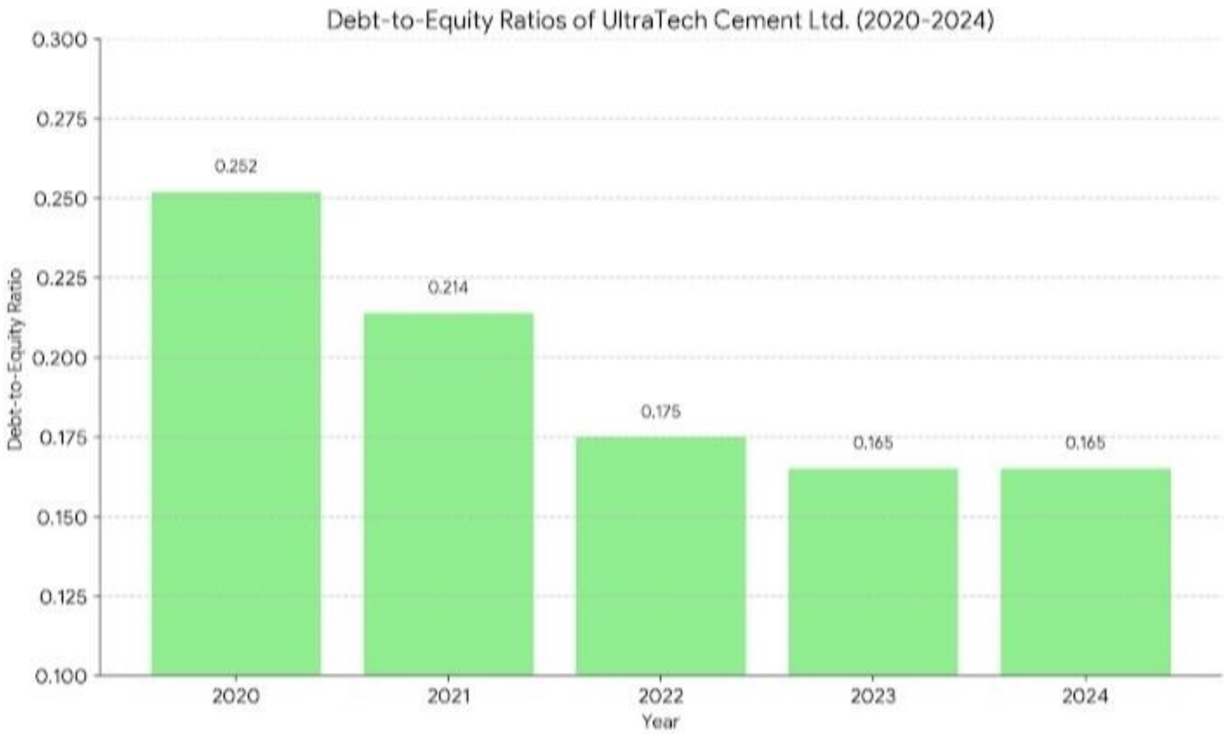
A liquid ratio consistently below 1.0 (or industry average) might suggest a reliance on inventory sales or future cash flows to meet short-term obligations, and it could be an area for further analysis by stakeholders.

DEBT TO EQUITY RATIO

Debt to equity ratio = long term borrowing (debt) / Shareholders funds

(Rs in cr)

Year	Long term borrowing	Shareholders funds	Debt to equity ratio
2020	11,048.91	43,841.45	0.252
2021	10,277.01	48,012.60	0.214
2022	9,076.65	51,847.60	0.175
2023	9,252.12	56,128.53	0.165
2024	9,997.43	60,617.91	0.165



Note on Debt to equity of UltraTech Cement Ltd. (2020-2024) :

The Debt-to-Equity ratio is a financial leverage ratio that indicates the proportion of equity and debt used to finance a company's assets. A lower ratio generally indicates a less risky operation, as it implies that the company relies more on equity financing than debt.

For UltraTech Cement Ltd., the Debt-to-Equity ratios from 2020 to 2024 show a consistent downward trend, indicating an improving financial structure:

- The ratio significantly decreased from 0.252 in 2020 to 0.175 in 2022.
- It further stabilized at 0.165 in both 2023 and 2024.

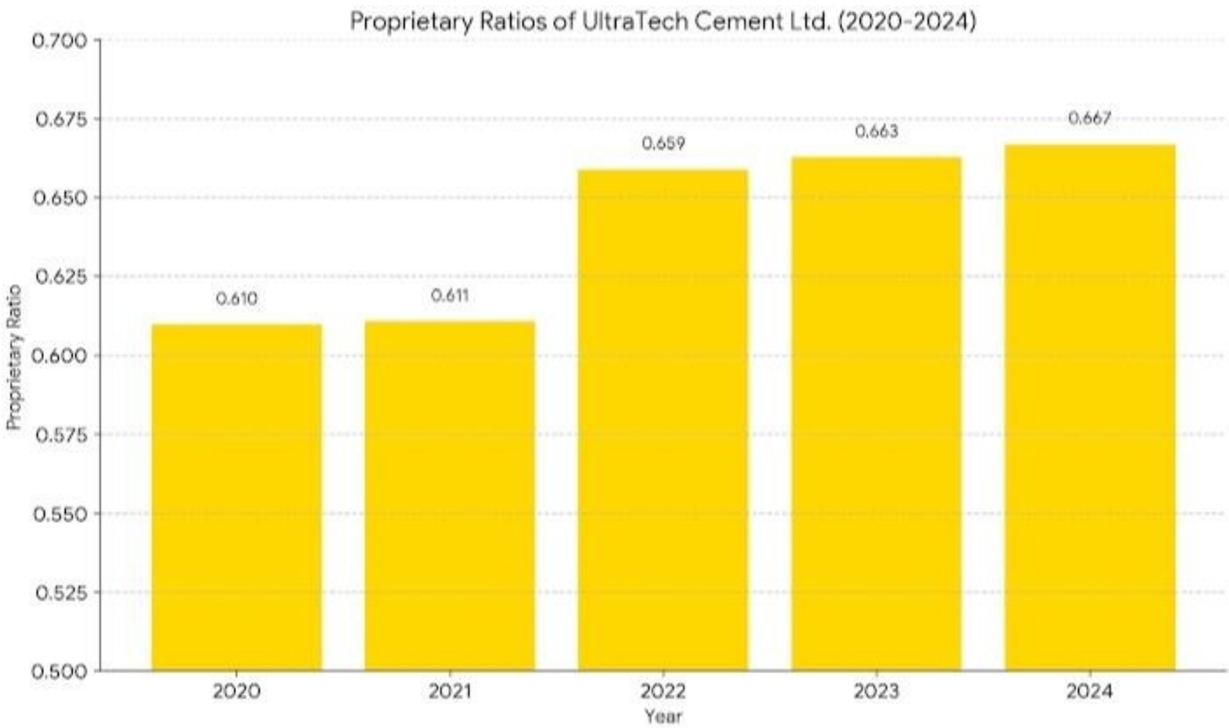
This trend suggests that UltraTech Cement Ltd. has been progressively reducing its reliance on long-term borrowings relative to its shareholders' funds. A declining Debt-to-Equity ratio is often viewed positively by investors and creditors, as it indicates lower financial risk and greater financial stability

PROPRIETARY RATIO :

Proprietary ratio = Shareholders fund / Total assets

(Rs in cr)

Year	Shareholders funds	Total assets	Proprietary ratio
2020	43,841.45	71,833.56	0.610
2021	48,012.60	78,571.29	0.611
2023	51,847.60	78,690.66	0.659
2024	56,128.53	84,708.20	0.663
2025	60,617.91	90,836.81	0.667



Note on proprietary ratio of UltraTech Cement Ltd. (2020-2024) :

The Proprietary Ratio, also known as the Equity Ratio, indicates the proportion of total assets that are financed by shareholders' funds (equity). A higher ratio suggests a stronger financial position, as it implies less reliance on external debt for asset financing.

For UltraTech Cement Ltd., the Proprietary Ratios from 2020 to 2024 demonstrate a positive trend:

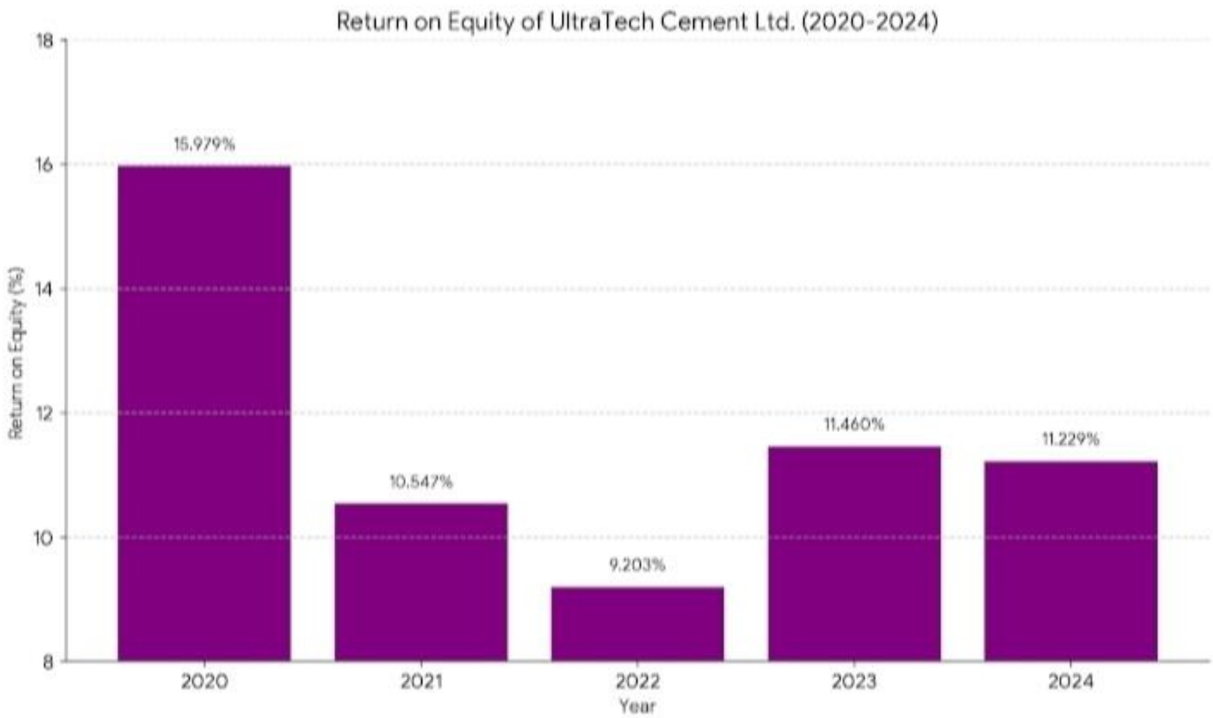
- The ratio remained relatively stable between 0.610 in 2020 and 0.611 in 2021.
- Subsequently, it showed a consistent increase, reaching 0.659 in 2022, 0.663 in 2023, and 0.667 in 2024.

This upward trend in the Proprietary Ratio suggests that UltraTech Cement Ltd. has been increasingly financing its assets through equity rather than debt. This indicates a strengthening of the company's capital structure and a reduction in its financial risk over the observed period.

Return on equity = Net profit after tax and preference dividend / (share capital fund + reserves and surplus) × 100

(Rs in cr)

Year	Net profit after tax	Shareholders funds	Return on equity
2020	7,005.00	43,841.45	15.979%
2021	5,063.96	48,012.60	10.547%
2022	4,77.74	51,847.60	9.203%
2023	6,432.22	56,128.53	11.460%
2024	6,807.16	60,617.91	11.229%



NOTE ON RETURN OF EQUITY ON ULTRATECH CEMENT LTD. (2020-2024):

Return on Equity (ROE) is a measure of a company's financial performance, calculated as net income divided by shareholders' equity. It indicates how much profit the company generates for each rupee of shareholders' equity. A higher ROE typically suggests that the company is more efficient at generating profits from its equity investments.

For UltraTech Cement Ltd., the Return on Equity ratios from 2020 to 2024 show the following trend:

- 2020: The ROE was highest at 15.979%.
- 2021 and 2022: There was a declining trend, with ROE falling to 10.547% in 2021 and further to 9.203% in 2022. This suggests a period where the company's profitability relative to its equity decreased.
- 2023 and 2024: The ROE recovered and stabilized, reaching 11.460% in 2023 and 11.229% in 2024.
- This indicates an improvement in the company's ability to generate returns for its shareholders after the dip in 2022.

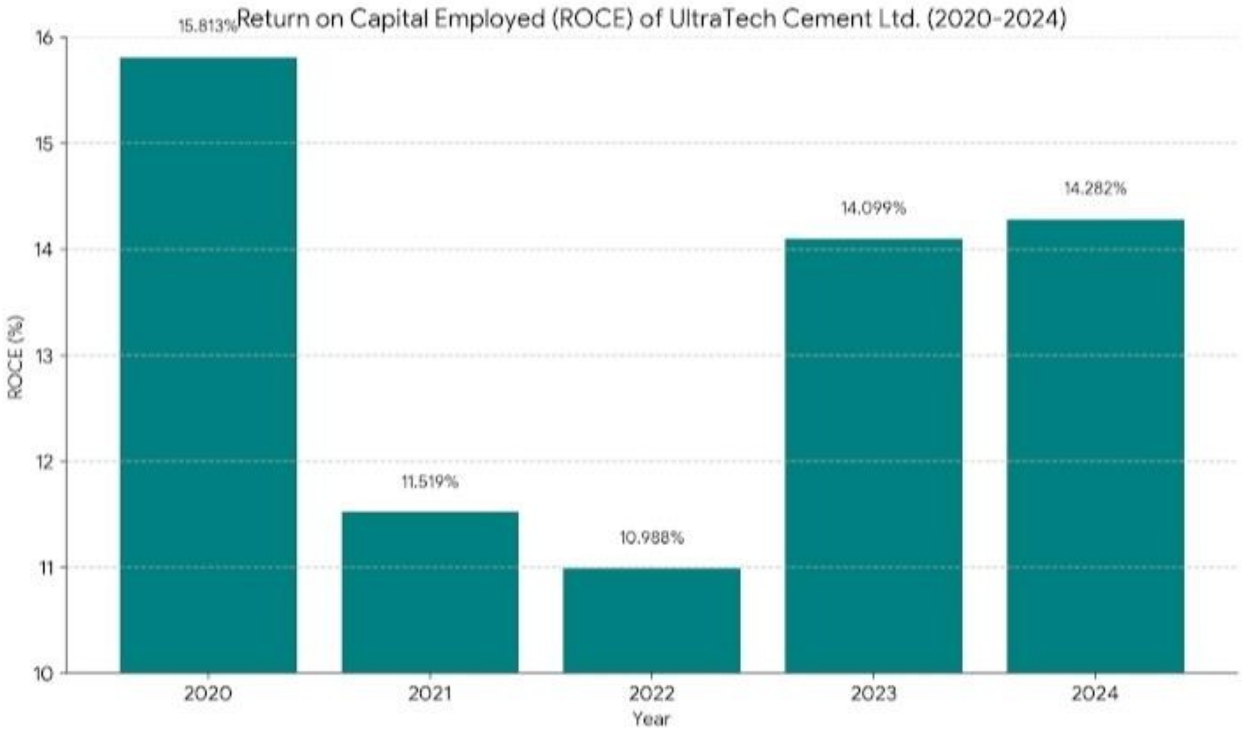
Overall, while there was a dip in profitability relative to equity in 2022, the company demonstrated a recovery in the subsequent years, indicating a generally healthy return on the equity invested by its shareholders.

RETURN ON CAPITAL EMPLOYED :

Return on capital employed = Net profit before tax / Capital employed × 100 Capital employed = Total assets - Current liabilities

(Rs in cr)

Year	Net profit before tax	Capital employed	Return on capital employed
2020	8,806.60	55,691.81	15.813%
2021	6,707.13	58,223.53	11.519%
2022	6,432.22	58,535.47	10.988%
2023	8,639.11	61,276.41	14.099%
2024	9,130.65	63,930.85	14.282%



Note on Return on capital employed of UltraTech Cement Ltd. (2020-2024) :

Return on Capital Employed (ROCE) is a key profitability ratio that measures how efficiently a company is using its capital to generate profits. It assesses the profitability of a company's capital investments. A higher ROCE generally indicates more efficient capital utilization.

For UltraTech Cement Ltd., the Return on Capital Employed (ROCE) ratios from 2020 to 2024 exhibit the following trend:

- 2020: The ROCE was at its highest in 2020 at 15.813%.
- 2021 and 2022: The ROCE saw a decline, falling to 11.519% in 2021 and further to 10.988% in 2022. This suggests a period of decreased efficiency in generating profits from the capital employed.
- 2023 and 2024: The ROCE demonstrated a notable recovery, increasing to 14.099% in 2023 and further to 14.282% in 2024. This indicates that the company improved its efficiency in utilizing its capital to generate profits in the latter part of the observed period.

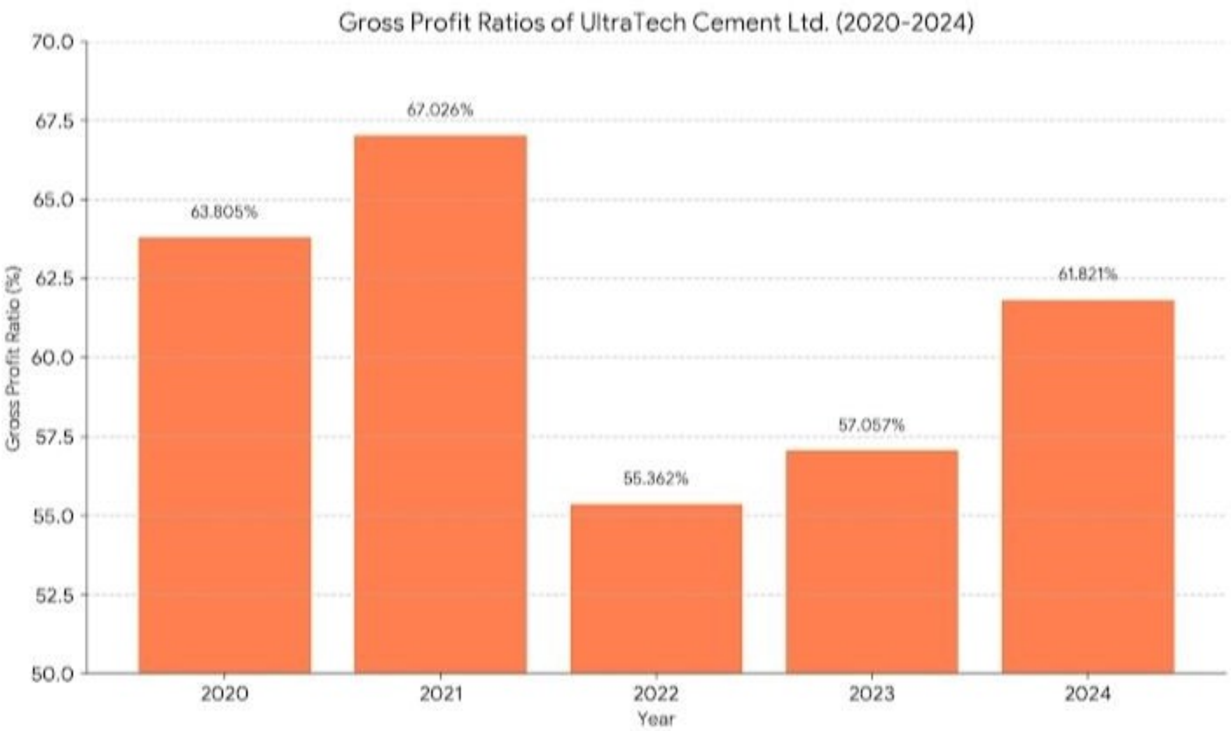
Overall, while there was a temporary dip in ROCE, UltraTech Cement Ltd. managed to improve its capital efficiency significantly in 2023 and 2024, indicating a stronger performance in generating returns from its deployed capital

GROSS PROFIT RATIO :

Gross profit ratio = Gross profit / Net sales x 100

(Rs in cr)

Year	**Gross profit**	**Net sales**	**Gross profit ratio**
2024	27,047.96	42,393.89	63.805%
2023	29,978.64	44,725.26	67.026%
2022	29,093.55	52,549.96	55.362%
2021	36.081.70	63,240.23	57.057%
2020	43,251.00	69,960.29	61.821%



Note on Gross profit ratio Ratios of UltraTech Cement Ltd. (2020-2024) :

The Gross Profit Ratio indicates the percentage of revenue left after deducting the cost of goods sold. It reflects the efficiency of a company's core operations and its ability to control production costs. A higher gross profit ratio generally signifies better profitability from sales.

For UltraTech Cement Ltd., the Gross Profit Ratios from 2020 to 2024 show the following trend:

- 2020 and 2021: The ratio was relatively high, at 63.805% in 2020 and increasing to 67.026% in 2021, indicating strong profitability from core sales during these years.
- 2022: There was a significant drop in the gross profit ratio to 55.362%. This could be attributed to increased cost of materials, production expenses, or other factors affecting the cost of goods sold, relative to the revenue generated.
- 2023 and 2024: The ratio showed a recovery trend, increasing to 57.057% in 2023 and further to 61.821% in 2024. This suggests that the company managed to improve its cost management and/or pricing strategies, leading to better gross profitability in the later years.

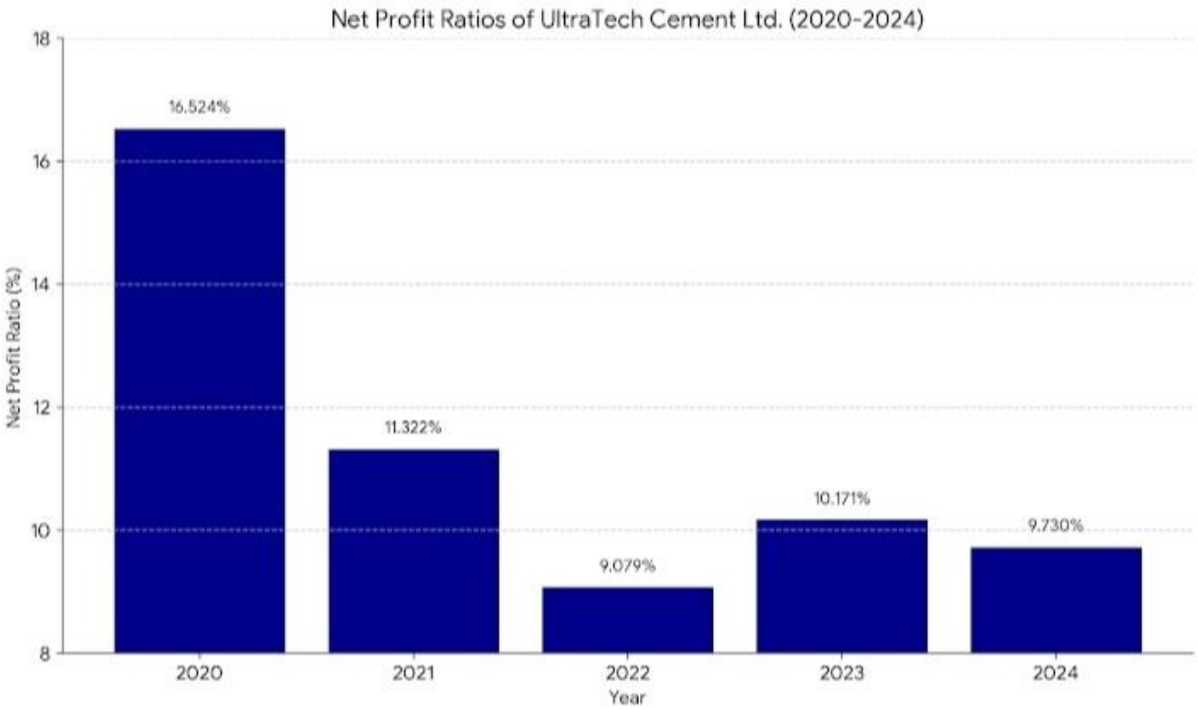
Overall, while there was a noticeable dip in 2022, UltraTech Cement Ltd. has demonstrated a recovery in its gross profit margin, indicating a return to more efficient core operations

NET PROFIT RATIO :

Net profit ratio = Net profit / Net sales x 100

(Rs in cr)

Year	Net profit	Net sales	Net profit ratio
2020	7,005.00	42,393.89	16.524%
2021	5,063.96	44,725.26	11.322%
2022	4,771.74	52,549.96	9.079%
2023	6,432.22	73,240.23	10.171%
2024	6,807.16	69.960.29	9.730%



Note on Net profit Ratios of UltraTech Cement Ltd. (2020-2024) :

The Net Profit Ratio (also known as Net Profit Margin) measures the percentage of revenue that remains after all expenses, including interest and taxes, have been deducted. It indicates the efficiency of a company in converting revenue into actual profit. A higher net profit ratio suggests better overall profitability.

For UltraTech Cement Ltd., the Net Profit Ratios from 2020 to 2024 show the following trend:

- 2020: The highest net profit ratio was recorded in 2020 at 16.524%.
- 2021 and 2022: The ratio experienced a notable decline, dropping to 11.322% in 2021 and further to 9.079% in 2022. This suggests a period where the company's ability to retain profit from its sales was impacted, possibly due to increasing operating costs, interest expenses, or tax liabilities relative to revenue.
- 2023 and 2024: The net profit ratio showed a slight recovery to 10.171% in 2023 but then slightly decreased to 9.730% in 2024. This indicates a stabilization of net profitability after the dip in 2022, though it did not fully return to the levels seen in 2020.

Overall, while there was a significant decrease in net profitability from 2020 to 2022, the company has managed to maintain its net profit margin around 10% in the more recent years, despite increasing sales

CHAPTER: 5 SUMMARIES OF KEY FINDING, SUGGESTIONS AND CONCLUSION

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SUMMARIES OF KEY FINDINGS, SUGGESTION AND CONCLUSION

FINDING OF THE ANALYSIS:

• CURRENT RATIO:

The current ratio of UltraTech Cement Ltd. remained below 1 throughout most years, indicating current liabilities exceeded current assets. In 2021, it reached a high of 1.133, but fell to 0.860 by 2024. An ideal current ratio is considered to be 1.5 to 2, hence indicating weak short-term liquidity.

• LIQUID RATIO:

The liquid ratio remained consistently below 1, starting at 0.461 in 2020 and rising slightly to 0.763 in 2021 before dropping again to 0.633 in 2024. This suggests insufficient liquid assets to meet short-term liabilities without relying on inventory or receivables.

• DEBT EQUITY RATIO:

The ratio improved year by year, from 0.252 in 2020 to 0.165 in 2024, showing a stronger equity base and reduced reliance on debt. A debt-equity ratio below 1 is considered healthy.

• PROPRIETARY RATIO:

The ratio increased steadily from 0.610 in 2020 to 0.667 in 2024, indicating growing reliance on shareholders' funds and strengthening capital structure.

• RETURN ON EQUITY (ROE):

ROE started high at 15.979% in 2020, dropped to 9.203% in 2022, and recovered to 11.229% by 2024. This reflects fluctuating efficiency in generating profits from equity.

• RETURN ON CAPITAL EMPLOYED (ROCE):

ROCE declined from 15.813% in 2020 to 10.988% in 2022, but recovered to 14.282% in 2024. This indicates improved capital efficiency in the later years.

- **GROSS PROFIT RATIO:**

It peaked at 67.026% in 2021, dropped significantly to 55.362% in 2022, and recovered to 61.821% in 2024, reflecting better cost management.

- **NET PROFIT RATIO:**

Started at 16.524% in 2020, decreased to 9.079% in 2022, and stayed around 10% till 2024, indicating moderate profitability levels.

DISCUSSION AND SUGGESTIONS:

- The current ratio of UltraTech Cement Ltd. mostly remained below the ideal benchmark (1.5), which indicates that the company needs to improve its liquidity position by either reducing current liabilities or increasing current assets.

- Liquid ratio also stayed below the standard level of 1.0 throughout the study period. This signals potential risk in meeting immediate obligations, and the company must increase its liquid assets or decrease short-term debt.

- The company has successfully maintained a low debt-equity ratio, which reflects financial stability and lower financial risk. This trend is positive and should be continued.

- The proprietary ratio is rising, meaning the company is increasingly funding its assets using equity. This is a sign of a solid financial foundation and reduced reliance on debt.

- Profitability showed a fluctuating trend, with ROE and ROCE dropping and then recovering. This suggests inconsistent performance, and management should ensure efficient utilization of funds and cost control for stable returns.

- Gross profit margins remained high, which indicates strong control over production costs and pricing strategies. The company should maintain this efficiency to boost net profits.

However, net profit margin has seen a decline and then a minor recovery. To improve this, the company should focus on reducing indirect expenses and optimizing tax and interest burdens.

CONCLUSION :

From the above analysis, it can be concluded that UltraTech Cement Ltd. has maintained a strong financial foundation over the five-year period from 2020 to 2024. The company's debt-equity position is stable and improving, reflecting a lower reliance on borrowed funds and a growing base of shareholders' equity.

While profitability ratios such as ROE and ROCE showed some fluctuations, the company has demonstrated a clear recovery trend, indicating better efficiency and capital utilization in recent years. The gross profit ratio remains consistently high, suggesting strong operational control. However, net profit margins show that there is scope for improving cost and expense management. On the downside, liquidity ratios like current ratio and liquid ratio were below ideal levels, indicating potential challenges in covering short-term liabilities. This area requires management's attention to strengthen the company's short-term financial health.

Overall, the company's financial performance is sound, with positive long-term indicators and a need to focus on liquidity improvement and consistent profitability growth to ensure sustained financial strength in the future.

REFRENCES:

https://www.ultratechcement.com/corporate/investors-/financials-

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