A

PROJECT STUDY

ON

PROFITABILITY ANALYSIS

AT

ULTRA TECH CEMENT LIMITED

HYDERABAD, TELANGANA

Submitted by

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ROLL NO: 1407-19-672-034

Project Submitted in partial fulfillment of the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

DEPARTMENT OF BUSINESS MANAGEMENT

DAVID MEMORIAL INSTITUTE OF MANAGEMENT

(AFFILIATED TO OSMANIA UNIVERSITY)

Lalapet Road, Tarnaka, Hyderabad, Telangana

BATCH (2019-21)

DECLARATION

I, the undersigned, hereby declare that this Project Report titled profitability analysis submitted by me to the Department of Business Management David Memorial Institute of Management affiliated to Osmania University, Hyderabad, is a bonafide work undertaken by me and it is not submitted to any other University or Institution for the award of any degree diploma / certificate or published any time before.

Date:

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Andolu vijay kumar

ACKNOWLEDGEMENT

Gratitude is the fairest blossom which springs from the soul. This dissertation would not have been possible without the guidance and the help of many individuals and organizations. I would like to extend my sincere thanks to all of them.

I would like to express my deepest gratitude to **Ms. M. SNEHA REDDY,** ultra tech cement limted, Hyderabad and my external guide for their unwavering support, Collegiality and mentorship without which it would have been impossible for me to give shape to my research work.

I would like to express my sincere and heartfelt thanks to **Dr.Surendra Prasad ,** Principal and **Dr.G.D. Pawan Kumar** Vice Principal of David Memorial Institute of Management, for their kind permission to undertake this project.

I would like to express my sincere and heartfelt thanks to **Ms.Samatha ,** HOD of Business Management, David Memorial Institute of Management for the kind encouragement and constant support extended in completion of this project .

I especially surrender my humble thanks and record my deep sense of gratitude to my internal guide **Ms.. Sangeeta Thakur**, Assistant Professor, Department of Business Management who guided me in excellent way as well as provided necessary information regarding the project.

I would like to thanks **Mr.Naganna** librarian of David Memorial Institute of Management for providing on time books ,Magazines

I express my heartfelt thanks to all the **staff members** for all hep and co-operation extended in bringing out this project successfully in time.

Last, but by no means least, I thank the **God and My Family** for supporting me at every path.

ABSTRACT

Every firm is most concerned with its profitability. One of the most frequently used tools of financial ratio analysis is profitability ratios which are used to determine the company's bottom line and its return to its investors. Profitability measures are important to company managers and owners alike. If a small business has outside investors who have put their own money into the company, the primary owner certainly has to show profitability to those equity investors.

Profitability ratios show a company's overall efficiency and performance. We can divide profitability ratios into two types: margins and returns. Ratios that show margins represent the firm's ability to translate sales dollars into profits at various stages of measurement. Ratios that show returns represent the firm's ability to measure the overall efficiency of the firm in generating returns for its shareholders.

Traditionally, farm profits have been computed by using “accounting profits”. To understand accounting profits, think of your income tax return. Your Schedule F provides a listing of your taxable income and deductible expenses. These are the same items used in calculating accounting profits. However, your tax statement may not give you an accurate picture of profitability due to IRS rapid depreciation and other factors. To compute an accurate picture of profitability you may want to use a more accurate measure of depreciation.

Accounting profits provide you with an intermediate view of the viability of your business. Although one year of losses may not permanently harm your business, consecutive years of losses (or net income insufficient to cover living expenditures) may jeopardize the viability of your business.

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INTRODUCTION

Introduction

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Defining Profitability:

Profitability can be defined as either accounting profits or economic profits.

Accounting Profits (Net Income):

Traditionally, farm profits have been computed by using "accounting profits". To understand accounting profits, think of your income tax return. Your Schedule F provides a listing of your taxable income and deductible expenses. These are the same items used in calculating accounting profits. However, your tax statement may not give you an accurate picture of profitability due to IRS rapid depreciation and other factors. To compute an accurate picture of profitability you may want to use a more accurate measure of depreciation.

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Economic Profits:

In addition to deducting business expenses, opportunity costs are also deducted when computing "economic profits". Opportunity costs relate to your money (net worth), your labor and your management ability. If you were not farming, you would have your money invested elsewhere and be employed in a different career. Opportunity cost is the investment returns given up by not having your money invested elsewhere and wages given up by not working elsewhere. These are deduced, along with ordinary business expenses, in calculating economic profit.

Economic profits provide you with a long-term perspective of your business. If you can consistently generate a higher level of personal income by using your money and labor elsewhere, you may want to examine whether you want to continue farming.

Profitability ratios measure a company's ability to generate earnings relative to sales, assets and equity. These ratios assess the ability of a company to generate earnings, profits and cash flows relative to relative to some metric, often the amount of money invested. They highlight how effectively the profitability of a company is being managed.

Common examples of profitability ratios include return on sales, return on investment, return on equity, return on capital employed (ROCE), cash return on capital invested (CROCI), gross profit margin and net profit margin. All of these ratios indicate how well a company is performing at generating profits or revenues relative to a certain metric.

Different profitability ratios provide different useful insights into the financial health and performance of a company. For example, gross profit and net profit ratios tell how well the company is managing its expenses. Return on capital employed (ROCE) tells how well the company is using capital employed to generate returns. Return on investment tells whether the company is generating enough profits for its shareholders.

For most of these ratios, a higher value is desirable. A higher value means that the company is doing well and it is good at generating profits, revenues and cash flows. Profitability ratios are of little value in isolation. They give meaningful information only when they are analyzed in comparison to competitors or compared to the ratios in previous periods. Therefore, trend analysis and industry analysis is required to draw meaningful conclusions about the profitability of a company.

Some background knowledge of the nature of business of a company is necessary when analyzing profitability ratios. For example sales of some businesses are seasonal and they experience seasonality in their operations. The retail industry is example of such businesses. The revenues of retail industry are usually very high in the fourth quarter due to Christmas. Therefore, it will not be useful to compare the profitability ratios of this quarter with the profitability ratios of earlier quarters. For meaningful conclusions, the profitability ratios of this quarter should be compared to the profitability ratios of similar quarters in the previous years.

Financial statements are prepared primarily for decision-making. They play a prominent role in setting the framework of managerial decisions. But the information provided in the financial statements is not an end in itself as no meaningful conclusions can be drawn from these statements alone. However, the information provided in financial statements is of immense use in making decisions through analysis and interpretation of financial statements.

Ratio analysis is used to evaluate relationships among financial statement items. The ratios are used to identify trends over time for one company or to compare two or more companies at one point in time. Financial statement ratio analysis focuses on three key aspects of a business: liquidity, profitability, and solvency.

Use and Significance of Profitability Analysis

The Profitability is one of the most powerful tools of financial analysis. It is used as a device to analyze and interpret the financial health of enterprise. Thus ratios have wide applications and are of immense use today.

Managerial uses of ratio analysis:

Helps in decision making:

Financial statements are prepared primarily for decision-making. Profitability analysis helps in making decision from the, information provided in these Financial Statements.

a. Helps in financial forecasting and planning:

Profitability analysis is of much help in financial forecasting and planning. Planning is looking ahead and the ratios calculated for a number of years a work as a guide for the future. Thus, ratio analysis helps in forecasting and planning.

b. Helps in communicating:

The financial strength and weakness of a firm are communicated in a more easy and understandable manner by the use of a ratio. Thus, ratios help in communication and enhance the value of the financial statements.

c. Helps in co-ordination:

Profitability even help in co-ordination, which is of at most importance in effective business management. Better communication of efficiency and weakness of an enterprise result in better co-ordination in the enterprise.

d. Helps in control:

Ratio analysis even helps in making effective control of business. The weakness is otherwise, if any, come to the knowledge of the managerial, which helps, in effective control of the business.

e. Utility to shareholders/investors:

An investor in the company will like to assess the financial position of the concern where he is going to invest. His first interest will be the security of his investment and then a return in form of dividend or interest. Ratio analysis will be useful to the investor in making up his mind whether present financial position of the concern warrants further investment or not.

f.Utility of creditors:

The creditors or suppliers extent short-term credit to the concern. They are invested to know whether financial position of the concern warrants their payments at a specified time or not.

g. Utility to employees:

The employees are also interested in the financial position of the concern especially profitability. Their wage increases and amount of fringe benefits are related to the volume of profits earned by the concern.

h. Utility to government:

Government is interested to know overall strength of the industry. Various financial statement published by industrial units are used to calculate ratios for determining short term, long-term and overall financial position of the concerns.

i.Tax audit requirements:

Sec44AB was inserted in the income tax act by financial act, 1984. Clause 32 of the income tax act requires that the following accounting ratios should be given:

a. Gross profit/turnover.

b. Net profit/turnover.

c. Material consumed/finished goods produced.

Further, it is advisable to compare the accounting ratios for the year under consideration with the accounting ratios for earlier two years so that the auditor can make necessary enquiries, if there is any major variation in the accounting ratios.

NEED FOR THE STUDY:

The problems, which are common to most of the public sectors under taking, are materials scarcity. Thus the importance of the study reveals as to how efficiently the working capital has been used so far in the organization.

Profitability Analysis is one of the key areas of financial decision-making. It is significant because, the management must see that an excessive investment in current assets should protect the company from the problems of stock-out. Current assets will also determine the liquidity position of the firm.

The goal of Profitability Analysis is to manage the firm current assets and current liabilities in such a way that a satisfactory level of working capital is maintained. If the firm cannot maintain a satisfactory level of capital, it is likely to become insolvent and may be even forced into bankruptcy

CHAPTER-II

REVIEW OF LITERATURE

ARTICLE :1

Dr Monica Tulasani 2014 – The main purpose of a business unit is to make profit the profitability analysis is done to throw light on cement operating performance and efficiency of business firms it should be duly noted that net income figure alone is not very helpful in determining the efficiency and performance of the of the business firm unless it is related to some other figures such as sales ,cost of goods sold operating expenses capital invested etc

ARTICLE:2

N.Sivathaasan 2013 – The paper aims to investigate whether factor such as capital structure , working capital firm size non debt tax shield and growth rate determine profitability have any impact on profitability of selected manufacturing companies listed on Colombo stock exchange sri lanka over a period of five years from 2008 to 2012

ARTICLE :3

Brierley,J.A.2016 Although profitability analysis has been identified as a useful technique it an under researched area this paper extends the limted research into profitability analysis by using research interviews to examine the circumstances when profitability analysis is or prepared ,why various types of profitability analysis.

ARTICLE :4

N.Venkatranam & vasudevan Ramanujam 2012 A two-dimensional classificatory scheme highlighting ten different approaches to the measurement of business performance in strategy research is developed. The first dimension concerns the use of financial versus broader operational criteria, while the second focuses on two alternate data sources. The scheme permits the classification of an exhaustive coverage of measurement approaches and is useful for discussing their relative merits and demerits. Implications for operationalizing business performance in future strategy research are discussed.

ARTICLE :5

Enrico Cagno 2017 The essential characteristicsof the P2 approach is the 'reduction at spource' principle ,derived from the idea that the generation of pollutants can be reduced or eliminated by increasing efficiency in the use of raw materials, energy,water and the other resources.from this point of view,it is also a means of raising operational efficiency and profitability.the numerous success cases as well the less satisfactory results documented in the scientific and technical literature provided the starting point for a detailed analysis of how and to what extent industrial P2 projects have been developed and realized, particulary in terms of profitability.

ARTICLE :6

V.BUVANESHWARAN 2015 –The hotel industry is a mature industry

marked by intense competition market share increase typically comes at a competitor expenses industry wide most growth occurs in the international rather than domestic area hotels are major employment generator in hospitality industry.

ARTICLE: 7

DANG WANG 2016- With the application of the financial analysis in business management with the development of economy enterprises are facing increasingly complex environment enterprise modern management is the trend financial management is an important part of strengthening the capacity of corporate financial analysis .

ARTICLE :8

HABIMANA THEOGENE 2017-financial ratio analysis is important to the management owner, customer suppliers, competitors ,regulatory agency ,tax payers and lender each having their views in applying financial statement analysis in their evaluations and making judgments about the financial health organizations while some authors found that financial ratio analysis is not adequate method by which to evaluate the overall performance of an organization .

CHAPTER-III

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY:

Definition of research problem

Research refers to the systematic method of consisting of enunciating the problem, formulating a hypothesis collecting the facts or data analysis the facts and reaching certain conclusion towards the certain problem or certain generalization for some theoretical formulation.

Objectives of the study:

❖ To study the Profitability Analysis of the Ultratech cements Limited for the period of study of 5 years.

❖ To analyses interpret and to suggest the Profitability efficiency of the Ultratech cements Limited by comparing the balance sheet of past 5 years.

❖ To analyze the financial performance of the Ultratech cements limited. With the help of ratios.

❖ To study the capital employed by the Ultratech cements Limited.

❖ To study the financial performance of the company with reference to Profitability

SCOPE OF THE STUDY:

The scope of the study is limited to collecting financial data published in the annual reports of the company every year. The analysis is done to suggest the possible solutions. The study is carried out for 5 years (2016-20)

A study of the Profitability Analysis involves an examination of long term as well as short term sources that a company taps in order to meet its requirements of finance. The scope of the study is confined to the sources that Ultratech cements Limited tapped over the years under study i.e. 2016-20.

source of data

The study is based on secondary data. However the primary data is also collected to fill the gap in the information.

❖ Primary data will be through regular interaction with the officials of Ultratech cements Limited.

❖ Secondary data collected from annual reports and also existing manuals and like company records balance sheet and necessary records.

Data analysis tools and techniques

- **Net Profit Ratio** = $\dfrac{\textbf{Net profit}}{\textbf{Sales}}$

- **Operating Ratio:** = $\dfrac{\textbf{Operating Expenses}}{\textbf{Net sales}}$

- **Profitability** = **(130-Operating Ratio %)**

- **Return on Investment** = $\dfrac{\textbf{Net profit}}{\textbf{Total Investment}}$

- **Gross Profit Ratio** = $\dfrac{\textbf{Gross Profit}}{\textbf{Net Sales}}$

- **Operating Margins** = $\frac{\textbf{Operating Income}}{\textbf{Net sales}}$

- **Return on Assets** = $\frac{\textbf{Net Income}}{\textbf{Average Total Assets}}$

LIMITATIONS OF THE STUDY

- **The study is based on only secondary data.**
- **The period of study was 2016-2020 financial years only.**
- **Another limitation is that of standard ratio with which the actual ratios may be compared generally there is no such ratio, which may be treated as standard for the purpose of comparison because conditions of one concern differ significantly from those of another concern.**
- **The accuracy and correctness of ratios are totally dependent upon the reliability of the data contained in financial statements on the basis of which ratios are calcula**

CHAPTER-IV

THEORETICAL FRAMEWORK

THEORTICAL BACKGROUND:

Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important.

Profitability is measured with income and expenses. Income is money generated from the activities of the business. For example, if crops and livestock are produced and sold, income is generated. However, money coming into the business from activities like borrowing money do not create income. This is simply a cash transaction between the business and the lender to generate cash for operating the business or buying assets.

Expenses are the cost of resources used up or consumed by the activities of the business. For example, seed corn is an expense of a farm business because it is used up in the production process. Resources such as a machine whose useful life is more than one year is used up over a period of years. Repayment of a loan is not an expense, it is merely a cash transfer between the business and the lender.

Profitability is measured with an “income statement”. This is essentially a listing of income and expenses during a period of time (usually a year) for the entire business. Decision Tool Income Statement - Short Form, is used to do a simple income statement analysis. An Income Statement is traditionally used to measure profitability of the business for the past accounting period. However, a “pro forma income statement” measures projected profitability of the business for the upcoming accounting period. A budget may be used when you want to project profitability for a particular project or a portion of a business.

Reasons for Computing Profitability:

Whether you are recording profitability for the past period or projecting profitability for the coming period, measuring profitability is the most important measure of the success of the business. A business that is not profitable cannot survive. Conversely, a business that is highly profitable has the ability to reward its owners with a large return on their investment.

Increasing profitability is one of the most important tasks of the business managers. Managers constantly look for ways to change the business to improve profitability. These potential changes can be analyzed with a pro forma income statement or a Partial Budget. Partial budgeting allows you to assess the impact on profitability of a small or incremental change in the business before it is implemented.

A variety of Profitability Ratios (Decision Tool) can be used to assess the financial health of a business. These ratios, created from the income statement, can be compared with industry benchmarks. Also, Income Statement Trends (Decision Tool) can be tracked over a period of years to identify emerging problems.

Accounting Methods:

Cash Method of Accounting

Traditionally farmers have used the “cash method” of accounting where income and expenses are reported on the income statement when products are sold or inputs are paid for. The cash method of accounting, used by most farmers, counts an item as an expense when it is purchased, not when it is used in the business. This has been used as a method of managing tax liability from year to year. However, many non-farm business accounting systems count an item as an expense only when it is actually used in the business activities.

Cash accounting formula
+ Income (when farm products are sold)
- Expenses (when production inputs are purchased)
= Net Income (difference between sales of products and purchases of inputs)

However, net income can be distorted with the cash method of accounting by selling more than two years crops in one year, selling feeder livestock purchased in a previous year, and purchasing production inputs in the year before they are needed.

Accrual Method of Accounting

To provide a more accurate picture of profitability, the accrual method of accounting can be used. With this method, income is reported when products are produced (not when they are sold) and expenses are reported when inputs are used (not when they are purchased). Accrual accounting uses the traditional cash method of accounting during the year but adds or subtracts inventories of farm products and production inputs on hand at the beginning and ending of the year.

A worksheet for computing Net Farm Income Statement (Decision Tool) with accrual accounting is available that contains schedules for including beginning and ending inventories. Information on creating and using a Net Farm Income Statement is also available.

Although seldom used in farming, Double Entry Accounting (Information File Understanding Double Entry Accounting) will provide results similar to accrual accounting. Double entry accounting also updates the net worth statement every time an income or expense occurs.

Defining Profitability:

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Profitability is not cash flow:

People often mistakenly believe that a profitable business will not encounter cash flow problems. Although closely related, profitability and cash flow are different. An income statement lists income and expenses while the cash flow statement lists cash inflows and cash outflows. An income statement shows *profitability* while a cash flow statement shows *liquidity*.

Many income items are also cash inflows. The sale of crops and livestock are usually both income and cash inflows. The timing is also usually the same (cash method of accounting) as long as a check is received and deposited in your account at the time of the sale. Many expense items are also cash outflow items. The purchase of livestock feed is both an expense and a cash outflow item. The timing is also the same (cash method of accounting) if a check is written at the time of purchase.

However, there are many cash items that are not income and expense items, and vice versa. For example, the purchase of a tractor is a cash outflow if you pay cash at the time of purchase as shown in the example in Table 2. If money is borrowed for the purchase using a term loan, the down payment is a cash outflow at the time of purchase and the annual principal and interest payments are cash outflows each year as shown in Table 3.

The tractor is a capital asset and has a life of more than one year. It is included as an expense item in an income statement by the amount it declines in value due to wear and obsolescence. This is called “depreciation”. The depreciation expense is listed every year. In the tables below a $70,000 tractor is depreciated over seven years at the rate of $13,000 per year.

Depreciation calculated for income tax purposes can be used. However, to accurately calculate net income, a more realistic depreciation amount should be used to approximate the actual decline in the value of the machine during the year.

In Table 3, where the purchase is financed, the amount of interest paid on the loan is included as an expense, along with depreciation, because interest is the cost of borrowing money. However, the principal payments are not an expense but merely a cash transfer between you and your lender.

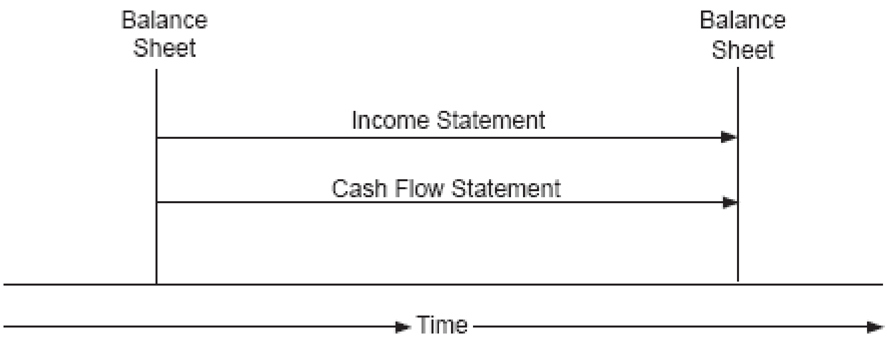
Other Financial Statements:

An income statement is only one of several financial statements that can be used to measure the financial strength of a business. Other common statements include the balance sheet or net worth statement and the cash flow statement, although there are several other statements that may be included.

These statements fit together to form a comprehensive financial picture of the business. The balance sheet or Net Worth Statement shows the solvency of the business at a specific point in time. Statements are often prepared at the beginning and ending of the accounting period (i.e. January 1). The statement records the assets of the business and their value and the liabilities or financial claims against the business (i.e. debts). The amount by which assets exceed liabilities is the net worth of the business. The net worth reflects the amount of ownership of the business by the owners.

The Cash Flow Statement is a dynamic statement that records the flow of cash into and out of the business during the accounting period. A positive (negative) cash flow will increase (decrease) the working capital of the business. Working capital is defined as the amount of money used to facilitate business operations. It is calculated as current assets (cash or near cash assets) less current liabilities (liabilities due during the upcoming accounting period).

Figure 1. Integrated financial statements.



A Complete set of Financial Statements (Decision Tool), including the beginning and ending net worth statements, the income statement, the cash flow statement, the statement of owner equity and the financial performance measures is available to do a comprehensive financial analysis of your business.

To help you assess the financial health of your business, Financial Performance Measures allows you to give your business a check-up. Interpreting Financial Performance Measures helps you to understand what these performance measures mean for your business.

Margin Ratios:

Gross Profit Margin:

The gross profit margin looks at cost of goods sold as a percentage of sales. This ratio look at how well a company controls the cost of its inventory and the manufacturing of its products and subsequently pass on the costs to its customers. The larger the gross profit margin, the better for the company. The calculation is: Gross Profit/Net Sales = ____%. Both terms of the equation come from the company's income statement.

Operating Profit Margin:

Operating profit is also known as EBIT and is found on the company's income statement. EBIT is earnings before interest and taxes. The operating profit margin looks at EBIT as a percentage of sales. The operating profit margin ratio is a measure of overall operating efficiency, incorporating all of the expenses of ordinary, daily business activity. The calculation is: EBIT/Net Sales = _____%. Both terms of the equation come from the company's income statement.

Net Profit Margin

When doing a simple profitability ratio analysis, net profit margin is the most often margin ratio used. The net profit margin shows how much of each sales dollar shows up as net income after all expenses are paid. For example, if the net profit margin is 5% that means that 5 cents of every dollar is profit.

The net profit margin measures profitability after consideration of all expenses including taxes, interest, and depreciation. The calculation is: Net Income/Net Sales = _____%. Both terms of the equation come from the income statement.

Cash Flow Margin

The Cash Flow Margin ratio is an important ratio as it expresses the relationship between cash generated from operations and sales. The company needs cash to pay dividends, suppliers, service debt, and invest in new capital assets, so cash is just as important as profit to a business firm.

The Cash Flow Margin ratio measures the ability of a firm to translate sales into cash. The calculation is: Cash flow from operating cash flows/Net sales = _____%. The numerator of the equation comes from the firm's Statement of Cash Flows. The denominator comes from the Income Statement. The larger the percentage the better.

Returns Ratios:

Return on Assets (also called Return on Investment)

The Return on Assets ratio is an important profitability ratio because it measures the efficiency with which the company is managing its investment in assets and using them to generate profit. It measures the amount of profit earned relative to the firm's level of investment in total assets. The return on assets ratio is related to the asset management category of financial ratios.

The calculation for the return on assets ratio is: Net Income/Total Assets = _____%. Net Income is taken from the income statement and total assets is taken from the balance sheet. The higher the percentage the better because that means the company is doing a good job using its assets to generate sales.

Return on Equity:

The Return on Equity ratio is perhaps the most important of all the financial ratios to investors in the company. It measures the return on the money the investors have put into the company. This is the ratio potential investors look at when deciding whether or not to invest in the company. The calculation is: Net Income/Stockholder's Equity = _____%. Net income comes from the income statement and stockholder's equity comes from the balance sheet. In general, the higher the percentage the better with some exceptions as it shows that the company is doing a good job using the investors money.

Cash Return on Assets:

The cash return on assets ratio is generally used only in more advanced profitability ratio analysis. It is used as a comparison to return on assets since it is a cash comparison to this ratio as return on assets is stated on an accrual basis. Cash is required for future investments. The calculation is: Cash flow from operating activities/Total Assets = _____%. The numerator is taken from the Statement of Cash Flows and the denominator from the balance sheet. The higher the percentage, the better.

Comparative Data:

Financial ratio analysis is only a good method of financial analysis if there is comparative data available. The ratios should be compared to both historical data for the company and industry data.

Tying it all Together - The DuPont Model:

There are so many financial ratios - liquidity ratios, debt or financial leverage ratios, efficiency or asset management ratios, and profitability ratios - that it is often hard to see the big picture. You can get bogged down in the detail. One method that business owners can use to summarize all of the ratios is to use the Dupont Model.

The DuPont Model is able to show a business owner where the component parts of the Return of Assets (or Return on Investment ratio comes from as well as the Return on Equity ratio. For example, did ROA come from net profit or asset turnover? Did return on equity come from net profit, asset turnover, or the business' debt position? The DuPont model is very helpful to business owners in determining in financial adjustments need to be made.

ADVANTAGES OF RATIO ANALYSIS:

❖ Ratio analysis simplifies the comprehension of financial statement.

❖ Ratio analysis provides data for inter firm comparison

❖ Ratio analysis helps in planning forecasting trends in cost, sales, profit and other related facts are revealed by the past ratios and future events can be forecast on the basis of such trends.

- ❖ Ratio may be used as an instrument of management control particularly in the area of sales cost.
- ❖ A ratio helps in investment decision to make profitable investment.
- ❖ Ratios also facilitate the function of communication. It can be easily conveyed through the ratio as what has happened during the two intervening periods.
- ❖ Ratios may also be used as a measure of efficiency.

LIMITATIONS OF RATIO ANALYSIS:

1. The analyst or the user must have comprehensive knowledge and experience about the concern whose statements have been used for calculating these ratios only the dependable conclusions may drawn thus ratios are signified tools only in the hands of experts in the hands of quacks for whom they may prove dangerous tools.
2. Ratios are not an end in themselves but they are a means to achieve a particular end. Hence it totally depends upon user or analyst as what conclusions is drawn on the basis of ratios calculated.
3. A single ratio in itself is not imported or as limited value because trends are more significant in the analysis.
4. Another limitation is that of standard ratio with which the actual ratios may be compared generally there is no such ratio, which may be treated as standard for the purpose of comparison because conditions of one concern differ significantly from those of another concern.
5. The accuracy and correctness of ratios are totally dependent upon the reliability of the data contained in financial statements on the basis of which ratios are calculated.
6. When ratios are used in the comparative study of two concerns there must be uniformity in the accounting plan used both concerns. Similarly there must be consistency in the preparation of financial statements and recording these transaction from year to year with in that concern.
7. analyst must be able to examine the nature of the data carefully. If accounting data lack uniformity particularly definitional uniformity, then ratio calculated on the basis of them will be misleading.

8. Ratios become meaningless if detached from the details, which they are deriving and in fact, they should be used as supplementary to, and not substitution of the original absolute figures.

9. The utility of ratios is largely dependent upon the method of presentation also.

10. Ratios make the comparatives study complicated and misleading on account of changes in price level.

CHAPTER-V

COMPANY PROFILE

Cement Industry in India

The Indian cement industry is directly related to the country's infrastructure sector and thus its growth is paramount in determining the development of the country. With a current production capacity of around 366 million tons (MT), India is the second largest producer of cement in the world and fueled by growth in the infrastructure sector, the capacity is expected to increase to around 550 MT by FY20.

India has a lot of potential for development in the infrastructure and construction sector and the cement sector is expected to largely benefit from it. Some of the recent major government initiatives such as development of 130 smart cities are expected to provide a major boost to the sector.

Expecting such developments in the country and aided by suitable government foreign policies, several foreign players such as the likes of Lafarge, Holcim and Vicat have invested in the country in the recent past. Another factor which aids the growth of this sector is the ready availability of the raw materials for making cement, such as limestone and coal.

Market Size:

According to data released by the Department of Industrial Policy and Promotion (DIPP), cement and gypsum products attracted foreign direct investment (FDI) worth US$ 2,984.29 million between April 2000 and September 2018.

In India, the housing sector is the biggest demand driver of cement, accounting for about 67 per cent of the total consumption. The other major consumers of cement include infrastructure at 17 per cent, commercial construction at 15 per cent and industrial construction at nine per cent.

To meet the rise in demand, cement companies are expected to add 56 MT capacity over the next three years. The cement capacity in India may register a growth of eight per cent by next year end to 395 MT from the current level of 366 MT. It may increase further to 421 MT by the end of 2018. The country's per capita consumption stands at around 200 kg.

A total of 198 large cement plants together account for 97 per cent of the total installed capacity in the country, while 365 small plants account for the rest. Of these large cement plants, 77 are located in the states of Andhra Pradesh, Rajasthan and Tamil Nadu. The Indian cement industry is dominated by a few companies. The top 20 cement companies account for almost 70 per cent of the total cement production of the country.

Investments:

On the back of growing demands, due to increased construction and infrastructural activities, the cement sector in India has seen many investments and developments in recent times. Some of them are as follows:

- Lafarge and Holcim plans to request for the European Commission's approval for their possible merger. The two companies had earlier unveiled plans in April 2018 to create the world's biggest cement group with US$ 44 billion in yearly sales.
- JSW cement plans to enter the Kerala market to cash in on the construction frenzy in the state. JSW is presently building a three million tons per annum (MTPA) capacity plant at Chitrapur in Karnataka to add to the current 5.4 MTPA capacity in South India.
- Zuari Cement through its subsidiary Gulbarga Cement Limited (GCL) plans to set up a 3.23 MT cement plant in Gulbarga, Karnataka. The company along with the cement plant is setting up a 50 MW captive power plant in the region.
- Malabar Cements plans to set up an automated cement handling and bagging unit as well as raw materials import facility in the Kochi port. Malabar Cements has projected a minimum throughput of 300,000 tons per annum which can be extendable up to 600,000 tons per annum, apart from intermediate products and raw materials such as clinker, limestone and coal.
- Reliance Cement Company (RCC), a subsidiary of Reliance Infrastructure, has entered into the cement market of Bihar where the demand for the building material is on the rise due to a realty boom. RCC presently has plants with total installed capacity of 5.8 MTPA.

Government Initiatives:

In the 16th Five Year Plan, the government plans to increase investment in infrastructure to the tune of US$ 1 trillion and increase the industry's capacity to 190 MT.

The Cement Corporation of India (CCI) was incorporated by the Government of India in 2065 to achieve self-sufficiency in cement production in the country. Currently, CCI has 13 units spread over eight states in India.

In order to help the private sector companies thrive in the industry, the government has been approving their investment schemes. Some such initiatives by the government in the recent past are as follows:

- The Andhra Pradesh State Investment Promotion Board (SIPB) has approved proposals worth Rs 9,200 crore (US$ 1.48 billion) including three cement plants and concessions to Hero MotoCorp project. The total capacity of these three cement plants is likely to be about 16 MT per annum and the plants are expected to generate employment for nearly 4,000 people directly and a few thousands more indirectly.
- India has joined hands with Switzerland to reduce energy consumption and develop newer methods in the country for more efficient cement production, which will help India meet its rising demand for cement in the infrastructure sector.
- The Government of India has decided to adopt cement instead of bitumen for the construction of all new road projects on the grounds that cement is more durable and cheaper to maintain than bitumen in the long run.

Road Ahead:

With the Government of India providing a boost to the infrastructure and various housing projects coming up in urban as well as rural areas, the cement sector has enough scope for development in the future.

Market Size:

The Indian cement sector is expected to witness positive growth in the coming years, with demand set to increase at a CAGR of more than 8 per cent in the period FY 2018-19to FY 2019-17, according to the latest report titled ‘Indian Cement Industry Outlook 2017’ by market research consulting firm RNCOS. The report further observed that

India’s southern region is creating the maximum demand for cement, which is expected to increase more in future.

The cement and gypsum products sector has attracted foreign direct investments (FDI) worth US$ 2,656.29 million in the period April 2000–August 2017, according to data published by the Department of Industrial Policy and Promotion (DIPP).

Investments:

Prism Cement Ltd has become the first Indian company to get the Quality Council of India's (QCI) certification for its ready-mix concrete (RMC) plant in Kochi, Kerala. The company received the certification from Institute for Certification and Quality Mark (ICQM), a leading Italian certification body authorized to oversee QCI compliance.

- Ultra Tech Cement, an Aditya Birla Group Company, has acquired the 4.8 million ton per annum (MTPA) Gujarat unit of Jaypee Cement Corp for Rs 3800 crore (US$ 595.61 million).
- ACC Ltd plans to invest Rs 3,000 crore (US$ 470.22 million) to expand its capacity by nearly 4 MT a year in three eastern region states, over the next three years.
- Reliance Cements Co Pvt Ltd will set up a 3 MTPA grinding unit at an estimated cost of Rs 600 crore (US$ 94.04 million). The unit is likely to come up at Raghunathpur in Purulia West Bengal.
- Reliance Cement Co, a special purpose vehicle (SPV) of Reliance Infrastructure Ltd, is commissioning its first 5 MTPA plant in Madhya Pradesh. The project has been implemented at a cost of approximately Rs 3,000 crore (US$ 470.22 million).
- Zuari Cement plans to set up a cement grinding unit at Auj (Aherwadi) and Shingadgaon villages in Solapur, Maharashtra. The new unit will have a production capacity of 1 MTPA and is expected to be operational by the second quarter of 2019.
- JSW Steel has acquired Heidelberg Cement India's 0.6 MTPA cement grinding facility in Raigad, Maharashtra, for an undisclosed amount.

Government Initiatives:

Giving impetus to the market, the Indian government plans to roll out public-private partnership (PPP) projects worth Rs 1 trillion (US$ 19.67 billion) over the next six months. The Principal Secretary in the Prime Minister's Office (PMO) will monitor these projects.

Also, the steering group appointed by Dr Manmohan Singh, Prime Minister of India, to accelerate infrastructure investments, has set deadlines for the awarding of projects such as Mumbai rail corridor and Navi Mumbai Airport, among others.

The Goa State Pollution Control Board (GSPCB) has signed a memorandum of understanding (MoU) with Vasavdatta Cement, a company with its plant in Karnataka. The firm would use the plastic waste collected by the state agencies and village Panchayats from Goa as fuel for its manufacturing plant.

Road Ahead:

The globally-competitive cement industry in India continues to witness positive trends such as cost control, continuous technology up gradation and increased construction activities.

Furthermore, major cement manufacturers in India are progressively using other alternatives such as bioenergy as fuel for their kilns. This is not only helping to bring down production costs of cement companies, but is also proving effective in reducing emissions.

With the ever-increasing industrial activities, real estate, construction and infrastructure, in addition to the various Special Economic Zones (SEZs) being developed across the country, there is a demand for cement.

It is estimated that the country requires about US$ 1 trillion in the period FY 2016-17 to FY 2017-18 to fund infrastructure such as ports, airports and highways to boost growth, which promises a good scope for the cement industry.

The 4th Annual India Cement Sector Business Sentiment Survey is nearly out and the India Construction & Building Materials Journal provides the opportunity of an exclusive look at the survey's results before their sharing with the wider audiences. We are glad to be able to present here some of the survey highlights and provide our readers with before-hand data regarding the views and expectations of cement industry professionals.

Optimism continues to be the name of the game for the Indian cement industry – a function of long-term trends as well as human nature. But on a closer look, the survey shows that the optimism only runs skin deep and that it has already been eroded by an increasing percentage of industry members who feel dissatisfied with the overall performance of the field last year.

For instance, the percentage of those who believe the industry performed "well" dropped from 43 percent in 2016 to 26 percent in 2017, while the number of respondents who believe the industry performed poorly almost tripled from 8 percent last year to 22 percent in 2017. Regarding the future evolution of the industry, survey participants continue to be on the optimistic side and hope for a “somewhat better” or “much better” performance compared to the last 6 months.

COMPANY PROFILE

ULTRATECH CEMENT:

UltraTech Cement Limited has an annual capacity of 19.2 million tons. It manufactures and markets Ordinary Portland Cement, Portland Blast Furnace Slag Cement and Portland Pozzalana Cement. It also manufactures ready mix concrete (RMC).

UltraTech Cement Limited has five integrated plants, six grinding units and three terminals — two in India and one in Sri Lanka.

UltraTech Cement is the country’s largest exporter of cement clinker. The export markets span countries around the Indian Ocean, Africa, Europe and the Middle East. UltraTech’s subsidiaries are Dakshin Cement Limited and UltraTech Ceylinco (P) Limited.

The roots of the Aditya Birla Group date back to the 20th century in the picturesque town of Pilani, set amidst the Rajasthan desert. It was here that Seth Shiv Narayan Birla started trading in cotton, laying the foundation for the House of Birlas.

Through India's arduous times of the 1950s, the Birla business expanded rapidly. In the early part of the 20th century, our Group's founding father, Ghanshyamdas Birla, set up industries in critical sectors such as textiles and fibre, aluminium, cement and chemicals. As a close confidante of Mahatma Gandhi, he played an active role in the Indian freedom struggle. He represented India at the first and second round-table conference in London, along with Gandhiji. It was at "Birla House" in Delhi that the luminaries of the Indian freedom struggle often met to plot the downfall of the British Raj.

Ghanshyamdas Birla found no contradiction in pursuing business goals with the dedication of a saint, emerging as one of the foremost industrialists of pre-independence India. The principles by which he lived were soaked up by his grandson, Aditya Vikram Birla, our Group's legendary leader.

FACT FILE:

- Largest producer of grey cement, white cement and ready-mix concrete in India.
- Largest producer of white cement in India.
- Installed capacity of 62 MTPA.
- Presence with 16 integrated plants, 1 white cement plant, 2 Wall Care putty plants, 1 clinkerisation plant in UAE, 17 grinding units; 16 in India, 2 in UAE, 1 in Bahrain and Bangladesh each, 6 bulk terminals; 5 in India and 1 in Sri Lanka and 131 Concrete plants.
- Straddling export markets in countries across the Indian Ocean and the Middle East.

Aditya Vikram Birla: putting India on the world map

A formidable force in Indian industry, Mr. Aditya Birla dared to dream of setting up a global business empire at the age of 24. He was the first to put Indian business on the world map, as far back as 2069, long before globalization became a buzzword in India.

In the then vibrant and free market South East Asian countries, he ventured to set up world-class production bases. He had foreseen the winds of change and staked the future of his business on a competitive, free market driven economy order. He put Indian business on the globe, 22 years before economic liberalization was formally introduced by the former Prime Minister, Mr. Narasimha Rao and the former Union Finance Minister, Dr. Manmohan Singh. He set up 20 companies outside India, in Thailand, Malaysia, Indonesia, the Philippines and Egypt.

Interestingly, for Mr. Aditya Birla, globalization meant more than just geographic reach. He believed that a business could be global even whilst being based in India. Therefore, back in his home-territory, he drove single-mindedly to put together the building blocks to make our Indian business a global force.

Under his stewardship, his companies rose to be the world's largest producer of viscose staple fibre, the largest refiner of palm oil, the third largest producer of insulators and the sixth largest producer of carbon black. In India, they attained the status of the largest single producer of viscose filament yarn, apart from being a producer of cement, grey cement and rayon grade pulp. The Group is also the largest producer of aluminum in the private sector, the lowest first cost producers in the world and the only producer of linen in the textile industry in India.

At the time of his untimely demise, the Group's revenues crossed Rs.8,000 crore globally, with assets of over Rs.9,000 crore, comprising of 55 benchmark quality plants, an employee strength of 75,000 and a shareholder community of 600,000.

Most importantly, his companies earned respect and admiration of the people, as one of India's finest business houses, and the first Indian International Group globally. Through this outstanding record of enterprise, he helped create enormous wealth for the nation, and respect for Indian entrepreneurship in South East Asia. In his time, his success was unmatched by any other industrialist in India.

That India attains respectable rank among the developed nations, was a dream he forever cherished. He was proud of India and took equal pride in being an Indian.

Under the leadership of our Chairman, Mr. Kumar Mangalam Birla, the Group has sustained and established a leadership position in its key businesses through continuous value-creation. Spearheaded by Grasim, Hindalco, Aditya Birla Nuvo, Indo Gulf Fertilisers and companies in Thailand, Malaysia, Indonesia, the Philippines and Egypt, the Aditya Birla Group is a leader in a swathe of products — viscose staple fibre, aluminium, cement, copper, carbon black, palm oil, insulators, garments. And with successful forays into financial services, telecom, software and BPO, the Group is today one of Asia's most diversified business groups.

Board of Directors:

:: Mr. Kumar Mangalam Birla, Chairman

:: Mrs. Rajashree Birla

:: Mr. R. C. Bhargava

:: Mr. G. M. Dave

:: Mr. N. J. Jhaveri

:: Mr. S. B. Mathur

:: Mr. V. T. Moorthy

:: Mr. O. P. Puranmalka

:: Mr. S. Rajgopal

:: Mr. D. D. Rathi

:: Mr. S. Misra, Managing Director

Executive President & Chief Financial Officer

:: Mr. K. C. Birla

Chief Manufacturing Officer

:: R.K. Shah

Chief Marketing Officer

:: Mr. O. P. Puranmalka

Company Secretary

:: Mr. S. K. Chatterjee

Our vision

"To actively contribute to the social and economic development of the communities in which we operate. In so doing, build a better, sustainable way of life for the weaker sections of society and raise the country's human development index."

Mission

"To deliver superior value to our customer ,share holder employees and society at large "

Polices

1.Internal requirement scheme

2. Re employement of ex employee

3. Employment of near relation

Recognitions

Two manufacturing units of ultra tech cement limited (UTLC)were recognized at the confederation of the indian industry (CII) National awards for excellence in water management 2017

Vikram cement works an integrated cement manufacturing unit of UTCL won the confederation of indian industry

Mrs. Rajashree Birla, Chairperson,

The Aditya Birla Centre for Community Initiatives and Rural Development

Awards won

Year	Award
2018-2019	IMC Ramakrishna Bajaj National Quality Award
2017-2018	Associated with Government projects & Business World FICCI-SEDF CSR Award
2016-17	ASSOCHAM CSR Excellence Award for its "truly outstanding" CSR activities
2017-18	Subh Karan Sarawagi Environment Award
2017-18	Business World FICCI-SEDF CSR Award
2015	Greentech Environment Excellence Gold Award
2015	IMC Ramakrishna Bajaj National Quality Award
2015	Asian CSR Award
2015-2016	National Award for Prevention of Pollution
2015-2016	Rajiv Gandhi Environment Award for Clean Technology
2015-2016	State Level Environment Award (Plant)

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Our strategy

Our projects are carried out under the aegis of the "Aditya Birla Centre for Community Initiatives and Rural Development", led by Mrs. Rajashree Birla. The Centre provides the strategic direction, and the thrust areas for our work ensuring performance management as well.

Our focus is on the all-round development of the communities around our plants located mostly in distant rural areas and tribal belts. All our Group companies —- Grasim, Hindalco, Aditya Birla Nuvo, Indo Gulf and UltraTech have Rural Development Cells which are the implementation bodies.

Projects are planned after a participatory need assessment of the communities around the plants. Each project has a one-year and a three-year rolling plan, with milestones and measurable targets. The objective is to phase out our presence over a period of time and hand over the reins of further development to the people. This also enables us to widen our reach. Along with internal performance assessment mechanisms, our projects are audited by reputed external agencies, who measure it on qualitative and quantitative parameters, helping us gauge the effectiveness and providing excellent inputs.

Our partners in development are government bodies, district authorities, village panchayats and the end beneficiaries -- the villagers. The Government has, in their 5-year plans, special funds earmarked for human development and we recourse to many of these. At the same time, we network and collaborate with like-minded bilateral and unilateral agencies to share ideas, draw from each other's experiences, and ensure that efforts are not duplicated. At another level, this provides a platform for advocacy. Some of the agencies we have collaborated with are UNFPA, SIFSA, CARE India, Habitat for Humanity International, Unicef and the World Bank.

Our focus areas

Our rural development activities span five key areas and our single-minded goal here is to help build model villages that can stand on their own feet. Our focus areas are healthcare, education, sustainable livelihood, infrastructure and espousing social causes.

The name “Aditya Birla” evokes all that is positive in business and in life. It exemplifies integrity, quality, performance, perfection and above all character.

Our logo is the symbolic reflection of these traits. It is the cornerstone of our corporate identity. It helps us leverage the unique Aditya Birla brand and endows us with a distinctive visual image.

Depicted in vibrant, earthy colors, it is very arresting and shows the sun rising over two circles. An inner circle symbolizing the internal universe of the Aditya Birla Group, an outer circle symbolizing the external universe, and a dynamic meeting of rays converging and diverging between the two.

Through its wide usage, we create a consistent, impact-oriented Group image. This undoubtedly enhances our profile among our internal and external stakeholders.

Our corporate logo thus serves as an umbrella for our Group. It signals the common values and beliefs that guide our behavior in all our entrepreneurial activities. It embeds a sense of pride, unity and belonging in all of our 170,000 colleagues spanning 25 countries and 30 nationalities across the globe. Our logo is our best calling card that opens the gateway to the world.

Group companies

:: Grasim Industries Ltd.

:: Hindalco Industries Ltd.

:: Aditya Birla Nuvo Ltd.

:: UltraTech Cement Ltd.

Indian companies

:: Aditya Birla Minacs IT Services Ltd.

:: Aditya Birla Minacs Worldwide Limited

:: Essel Mining & Industries Ltd

:: Idea Cellular Ltd.

:: Aditya Birla Insulators

:: Aditya Birla Retail Limited

:: Aditya Birla Chemicals (India) Limited

International companies

Thailand

:: Thai Rayon

:: Indo Thai Synthetics

:: Thai Acrylic Fibre

:: Thai Carbon Black

:: Aditya Birla Chemicals (Thailand) Ltd.

:: Thai Peroxide

Philippines

:: Indo Phil Group of companies

:: Pan Century Surfactants Inc.

Indonesia

:: PT Indo Bharat Rayon

:: PT Elegant Textile Industry

:: PT Sunrise Bumi Textiles

:: PT Indo Liberty Textiles

:: PT Indo Raya Kimia

Egypt

:: Alexandria Carbon Black Company S.A.E

:: Alexandria Fiber Company S.A.E

China

:: Liaoning Birla Carbon

:: Birla Jingwei Fibres Company Limited

:: Aditya Birla Grasun Chemicals (Fangchenggang) Ltd.

Canada

:: A.V. Group

Australia

:: Aditya Birla Minerals Ltd.

Laos

:: Birla Laos Pulp & Plantations Company Limited

North and South America, Europe and Asia

:: Novelis Inc.

Singapore

:: Swiss Singapore Overseas Enterprises Pte Ltd. (SSOE)

Joint ventures

:: Birla Sun Life Insurance Company

:: Birla Sun Life Asset Management Company

:: Aditya Birla Money Mart Limited

:: Tanfac Industries Limited

UltraTech is India's largest exporter of cement clinker. The company's production facilities are spread across eleven integrated plants, one white cement plant, one clinkerisation plant in UAE, fifteen grinding units, and five terminals — four in India and one in Sri Lanka. Most of the plants have ISO 9001, ISO 18001 and OHSAS 19001 certification. In addition, two plants have received ISO 27001 certification and four have received SA 8000 certification. The process is currently underway for the remaining plants. The company exports over 2.5 million tonnes per annum, which is about 30 per cent of the country's total exports. The export market comprises of countries around the Indian Ocean, Africa, Europe and the Middle East. Export is a thrust area in the company's strategy for growth.

UltraTech's products include Ordinary Portland cement, Portland Pozzolana cement and Portland blast furnace slag cement.

- Ordinary Portland cement
- Portland blast furnace slag cement
- Portland Pozzolana cement
- Cement to European and Sri Lankan norms

Ordinary Portland cement:

Ordinary Portland cement is the most commonly used cement for a wide range of applications. These applications cover dry-lean mixes, general-purpose ready-mixes, and even high strength pre-cast and pre-stressed concrete.

Portland blast furnace slag cement:

Portland blast-furnace slag cement contains up to 70 per cent of finely ground, granulated blast-furnace slag, a nonmetallic product consisting essentially of silicates and alumino-silicates of calcium. Slag brings with it the advantage of the energy invested in the slag making. Grinding slag for cement replacement takes only 25 per cent of the energy needed to manufacture Portland cement. Using slag cement to replace a portion of Portland cement in a concrete mixture is a useful method to make concrete better and more consistent. Portland blast-furnace slag cement has a lighter colour, better concrete workability, easier finishability, higher compressive and flexural strength, lower permeability, improved resistance to aggressive chemicals and more consistent plastic and hardened consistency.

Portland Pozzolana cement:

Portland pozzolana cement is ordinary Portland cement blended with pozzolanic materials (power-station fly ash, burnt clays, ash from burnt plant material or silicious earths), either together or separately. Portland clinker is ground with gypsum and pozzolanic materials which, though they do not have cementing properties in themselves, combine chemically with Portland cement in the presence of water to form extra strong cementing material which resists wet cracking, thermal cracking and has a high degree of cohesion and workability in concrete and mortar.

"As a Group we have always operated and continue to operate our businesses as Trustees with a deep rooted obligation to synergise growth with responsibility."

— Mr Kumar Mangalam Birla, Chairman, Aditya Birla Group

The cement industry relies heavily on natural resources to fuel its operations. As these dwindle, the imperative is clear — alternative sources of energy have to be sought out and the use of existing resources has to be reduced, or eliminated altogether. Only then can sustainable business be carried out, and a corporate can truly say it is contributing to the preservation of the environment.

UltraTech takes its responsibility to conserve the environment very seriously, and its eco-friendly approach is evident across all spheres of its operations. Its ssmajor thrust has been to identify alternatives to achieve set objectives and thsereby reduce its carbon footprint. These are done through:

:: Waste management

:: Energy management

:: Water conservation

:: Biodiversity management

:: Afforestation

:: Reduction in emissions

Importantly, UltraTech has set a target of 2.96 per cent reduction in CO_2 emission intensity, at a rate of 0.5 per cent annually, up to 2019-17, with 2012-13 as the baseline year. This will also include CO_2 emissions from the recently acquired ETA Star Cement and upcoming projects

PRODUCT &and SERVICES

ULTRA TECH CEMENTS manufactures and distributes its own main product lines of cement .We aim to optimize production across all of our markets, providing a complete solution for customer's needs at the lowest possible cost, an approach we call strategic integration of activities.

Cement is made from a mixture of 80 percent limestone and 20 percent clay. These are crushed and ground to provide the "raw meal”, a pale, flour-like powder. Heated to around 1850° C (2642° F) in rotating kilns, the “meal” undergoes complex chemical changes and is transformed into clinker. Fine-grinding the clinker together with a small quantity of gypsum produces cement. Adding other constituents at this stage produces cements for specialized uses**.**

QUALITY:

Six strong benefits that make 43, 53 Grade, Super fine, Premium and Shakti the ideal cement

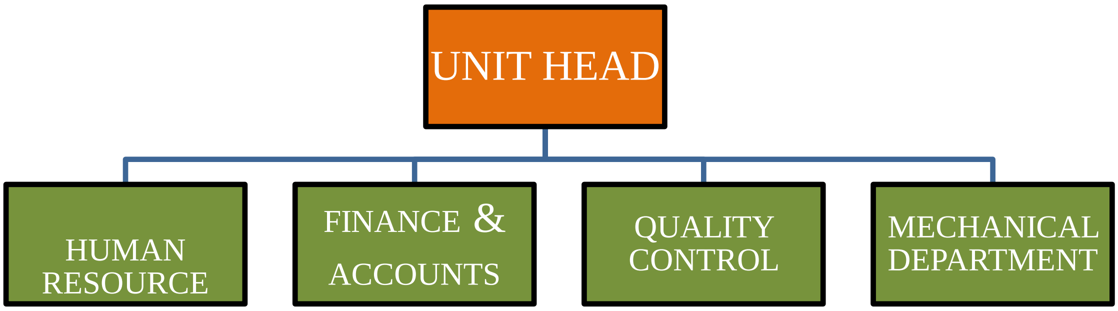
- Higher compressive strength.
- Better soundness.

- Lesser consumption of cement for M-20 Concrete Grade and above.
- Faster de shuttering of formwork.
- Reduced construction time with a superior and wide range of cement catering to every conceivable building need, ULTRA TECH CEMENTS is a formidable player in the cement market.

Here just a few reasons why ULTRA TECH CEMENTS chosen by millions of India.

- Ideal raw material
- Low lime and magnesia content and high proportion of silicates.
- Greater fineness.

ORGANIZATIONAL STRUCTURE



CHAPTER-VI

RESEARCH DATA ANALYSES

AND

INTERPRETATION

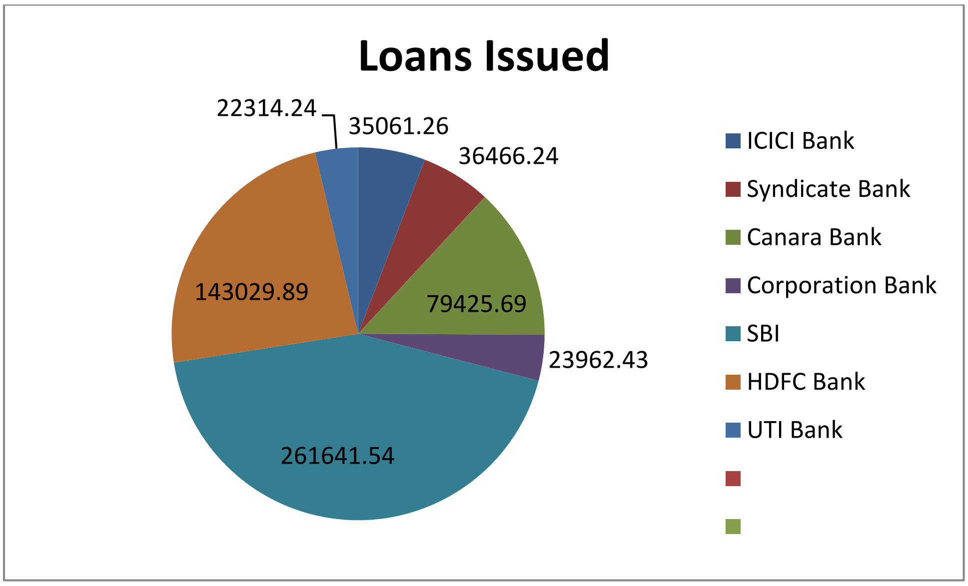
Comparative Analysis of Ultratech Cements Limited: 2019-2020.

Balance Sheet Of The India Cements Limited

Particulars	**FY2019-2020**	**FY 2018-2019**	**Absolute increase or decrease**	**% of Change**
Sources Of Funds				
Total Share Capital	274.24	274.19	0.06	0.02198343
Equity Share Capital	274.24	274.19	0.06	0.02198343
Reserves	17,823.27	18,960.64	1962.63	16.4502027
Networth	**19,127.51**	19,234.82	**2062.69**	**17.2265316**
Secured Loans	2,389.35	2,187.34	242.01	15.2702227
Unsecured Loans	2,483.43	2,319.34	178.12	7.25984089
Total Debt	**4,872.78**	4,462.68	**413.1**	**9.2095453**
Total Liabilities	**21,970.29**	20,697.50	**2272.79**	**16.5384693**
Application Of Funds				
Gross Block	25,004.31	21,320.17	3684.19	18.2801636
Less: Accum. Depreciation	9,172.47	8,207.80	934.67	15.4018736
Net Block	**20,871.84**	17,162.36	**2749.48**	**20.9526335**
Capital Work in Progress	2,041.63	3,505.37	-1863.7	-41.7570756
Investments	**5,391.67**	5,138.72	**282.95**	**5.53856935**
Inventories	2,368.36	2,350.47	18.89	0.76155437
Sundry Debtors	1,281.02	1,018.24	263.78	25.9312504

Cash and Bank Balance	277.50	182.66	174.84	94.5194354
Total Current Assets	3,926.88	3,513.37	417.51	15.865171
Loans and Advances	2,521.99	2,171.94	360.05	17.6540237
Fixed Deposits	0.00	15.71	-15.71	-130
Total CA, Loans & Advances	6,448.87	5,672.31	776.56	17.690366
Current Liabilities	6,813.76	6,642.06	178.7	2.53987468
Provisions	972.96	1,069.20	-96.24	-9.00155233
Total CL & Provisions	7,783.72	7,715.26	72.46	0.93966485
Net Current Assets	**-1,334.85**	-2,038.95	**704.1**	**-34.53248**
Total Assets	**21,970.29**	20,697.50	**2272.79**	**16.5384693**
Contingent Liabilities	6,257.19	2,599.53	3657.62	180.703167
Book Value (Rs)	623.45	555.65	67.8	16.2020257

Assessment Of Capital Employed



Interpretation:

By Analyzing the Trends of the company from 2018-2019 is in the good Position and The result of which both the assets and liabilities is given i.e. In the assets the Fixed assets was Gradually increased and in the year 2018 is was increased to more than 15.57% and in same case of liabilities also in the year2018 it has a change of more than 0.93%in the long term liabilities

Hence the company is planning for the short term funding and long term liabilities for the Stability of the industry year by year.

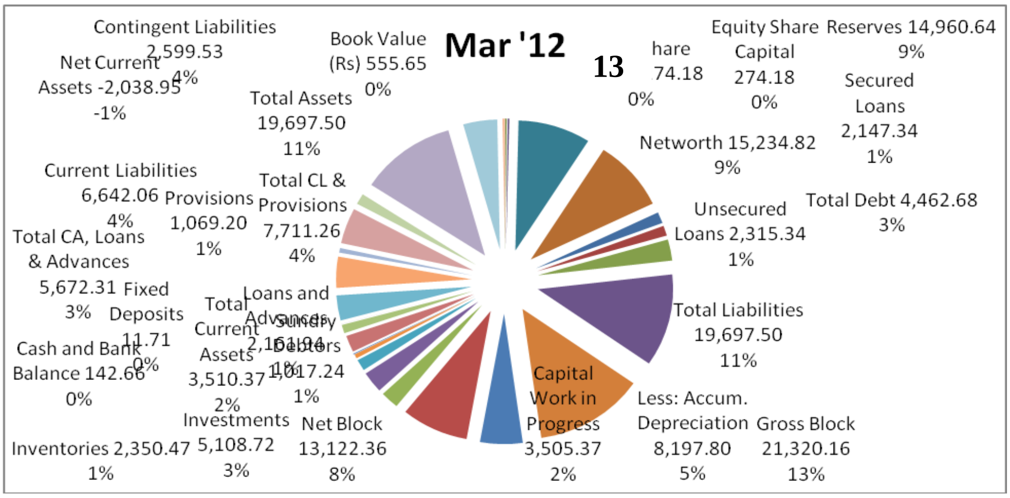
Comparative Analysis of Ultratech Cements Limited: 2018-2019

Balance Sheet Of Ultratech Cements Limited

particulars	FY 2018-2019	FY 2017-18	Absolute increase or decrease	% of Change
Sources Of Funds				
Total Share Capital	274.19	274.07	0.15	0.04017573
Equity Share Capital	274.19	274.07	0.15	0.04017573
Reserves	18,960.64	16,585.75	2374.89	19.869674
Networth	19,234.82	16,859.82	2375	19.4683767
Secured Loans	2,187.34	2,016.12	175.25	6.72196632
Unsecured Loans	2,319.34	1,796.04	520.3	28.9176129
Total Debt	4,462.68	3,808.17	654.55	18.1982262
Total Liabilities	20,697.50	17,667.95	3029.55	19.1859005
Application Of Funds				
Gross Block	21,320.17	20,018.48	2305.68	16.1659177
Less:Accum. Depreciation	8,207.80	7,379.66	819.18	15.0864196
Net Block	17,162.36	15,634.82	1887.54	16.7852429
Capital Work in Progress	3,505.37	3,173.02	342.35	13.8235178

Investments	5,138.72	3,788.77	1720.95	34.8384832
Inventories	2,350.47	2,035.94	318.53	19.4488836
Sundry Debtors	1,018.24	765.96	251.28	32.8058906
Cash and Bank Balance	182.66	186.48	-33.82	-20.1736446
Total Current Assets	3,513.37	2,978.38	531.99	18.8618235
Loans and Advances	2,171.94	1,515.73	650.21	43.0139874
Fixed Deposits	15.71	15.71	0	0
Total CA, Loans & Advances	5,672.31	4,501.82	1570.49	26.0003732
Current Liabilities	6,642.06	5,599.74	1342.32	19.6177218
Provisions	1,069.20	820.74	248.46	30.2726808
Total CL & Provisions	7,715.26	6,420.48	1690.78	20.1341344
Net Current Assets	-2,038.95	-1,919.66	-160.29	6.26947974
Total Assets	20,697.50	17,667.95	3029.55	19.1859005
Contingent Liabilities	2,599.53	5,892.68	-3293.2	-55.8854375
Book Value (Rs)	555.65	469.22	86.43	19.4209312

Assessment Of Capital Employed



Interpretation:

By Analyzing the Trends of the company from 2017-2018 is in the good Position and The result of which both the assets and liabilities is given i.e. In the assets the Fixed assets was Gradually increased and in the year 2016 is was increased to more than 15%

and in same case of liabilities also in the year2017 it has a change of more than 17%in the long term liabilities.

Hence the company is planning for the short term funding and long term liabilities for the Stability of the industry year by year.

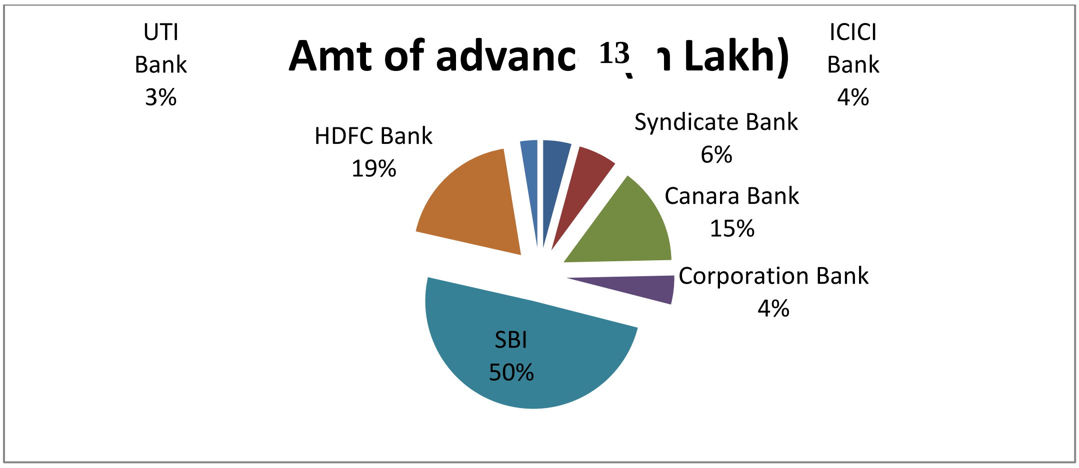
Comparative Analysis of Ultratech Cements Limited: 2017-18

Balance Sheet Of The India Cements Limited

Particulars	**FY 2017-18**	**FY 2016-17**	**Absolute increase or decrease**	**% of Change**
Sources Of Funds				
Total Share Capital	274.07	274.04	0.03	0.01394731
Equity Share Capital	274.07	274.04	0.03	0.01394731
Reserves	16,585.75	13,392.00	2203.75	21.1399885
Networth	16,859.82	13,666.04	2203.78	20.5678959
Secured Loans	2,016.12	2,789.76	-777.67	-27.8758746
Unsecured Loans	1,796.04	1,354.84	441.2	32.5647312
Total Debt	3,808.17	4,184.60	-336.47	-8.15827438

Total Liabilities	17,667.95	18,813.64	1957.31	16.5403764
Application Of Funds				
Gross Block	20,018.48	18,942.27	1372.21	5.97588822
Less: Accum. Depreciation	7,379.66	6,542.02	837.64	16.8039963
Net Block	15,634.82	15,400.25	234.57	2.05758646
Capital Work in Progress	3,173.02	1,135.32	2057.7	196.173283
Investments	3,788.77	3,730.32	58.45	1.5668897
Inventories	2,035.94	1,956.52	79.42	4.05924805
Sundry Debtors	765.96	602.29	173.67	27.1846179
Cash and Bank Balance	186.48	184.47	32.01	22.1968492
Total Current Assets	2,978.38	2,703.28	275.1	13.1865263
Loans and Advances	1,515.73	1,217.71	295.02	24.2473556
Fixed Deposits	15.71	0.32	15.39	3559.375
Total CA, Loans & Advances	4,501.82	3,920.31	581.51	18.8332657
Current Liabilities	5,599.74	4,772.07	827.67	18.3440457
Provisions	820.74	573.49	247.25	43.1562201
Total CL & Provisions	6,420.48	5,345.56	1374.92	20.1386512
Net Current Assets	-1,919.66	-1,425.25	-493.41	34.6201996
Total Assets	17,667.95	18,813.64	1957.31	16.5403764
Contingent Liabilities	5,892.68	4,220.47	1772.21	39.6218176
Book Value (Rs)	469.22	389.21	80.01	20.5570258

Assessment Of Capital Employed



Interpretation:

By Analyzing the Trends of the company from 2016-17 is in the good Position and The result of which both the assets and liabilities is given i.e. In the assets the Fixed assets was Gradually increased and in the year 2016 is was increased to more than 19% and in same case of liabilities also in the year2016 it has a change of more than 15%in the long term liabilities

Hence the company is planning for the short term funding and long term liabilities for the Stability of the industry year by year.

Comparative Analysis of Ultratech Cements Limited: 2018-19

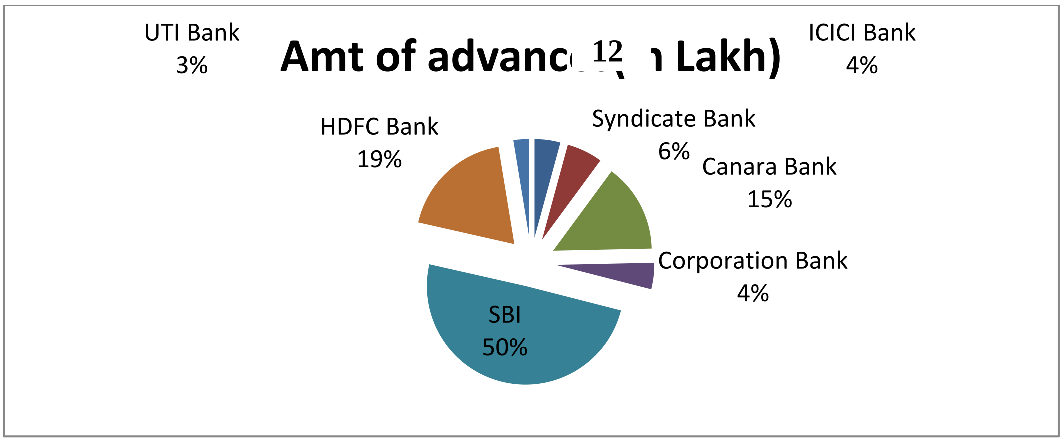
Balance Sheet Of The India Cements Limited

Particulars	**FY 2018-19**	**FY2016-2017**	**Absolute increase or decrease**	**% of Change**
Sources Of Funds				
Total Share Capital	274.04	164.49	189.55	160.170171
Equity Share Capital	274.04	164.49	189.55	160.170171

Reserves	13,392.00	4,482.18	5912.83	171.852082
Networth	13,666.04	4,608.65	6057.39	171.435236
Secured Loans	2,789.76	854.20	2035.57	226.597167
Unsecured Loans	1,354.84	750.33	604.51	80.5658843
Total Debt	4,184.60	1,604.52	2540.08	198.307781
Total Liabilities	18,813.64	6,217.18	8597.47	178.374936
Application Of Funds				
Gross Block	18,942.27	8,078.18	9864.17	162.138926
Less: Accum. Depreciation	6,542.02	3,176.46	3405.56	138.579736
Net Block	15,400.25	4,941.68	6458.57	170.695836
Capital Work in Progress	1,135.32	259.37	845.95	326.195685
Investments	3,730.32	1,669.55	2060.77	163.432661
Inventories	1,956.52	821.70	1564.82	178.136365
Sundry Debtors	602.29	219.83	386.46	189.057592
Cash and Bank Balance	184.47	83.73	60.74	72.5426968
Total Current Assets	2,703.28	1,161.26	1982.02	181.123056
Loans and Advances	1,217.71	374.92	841.79	224.525232
Fixed Deposits	0.32	0.00	0.32	
Total CA, Loans & Advances	3,920.31	1,496.19	2424.17	172.021681
Current Liabilities	4,772.07	1,992.60	2779.47	179.489616
Provisions	573.49	171.01	416.48	256.192846

Total CL & Provisions	5,345.56	2,193.61	3201.95	188.217929
Net Current Assets	-1,425.25	-657.43	-767.82	156.791571
Total Assets	18,813.64	6,217.18	8597.47	178.374936
Contingent Liabilities	4,220.47	420.26	3800.21	904.25217
Book Value (Rs)	389.21	370.05	20.17	5.18767869

Assessment of Capital Employed



Interpretation:

By Analyzing the Trends of the company from 2018-19is in the good Position and The result of which both the assets and liabilities is given i.e. In the assets the Fixed assets was Gradually increased and in the year 2015 is was increased to more than 22% and in same case of liabilities also in the year2016 it has a change of more than 16%in the long term liabilities

Hence the company is planning for the short term funding and long term liabilities for the Stability of the industry year by year.

Different profitability ratios provide different useful insights into the financial health and performance of a company. For example, gross profit and net profit ratios tell how well the company is managing its expenses. Return on capital employed (ROCE) tells how well the company is using capital employed to generate returns. Return on investment tells whether the company is generating enough profits for its shareholders.

For most of these ratios, a higher value is desirable. A higher value means that the company is doing well and it is good at generating profits, revenues and cash flows. Profitability ratios are of little value in isolation. They give meaningful information only when they are analyzed in comparison to competitors or compared to the ratios in previous periods. Therefore, trend analysis and industry analysis is required to draw meaningful conclusions about the profitability of a company.

Some background knowledge of the nature of business of a company is necessary when analyzing profitability ratios. For example sales of some businesses are seasonal and they experience seasonality in their operations. The retail industry is example of such businesses. The revenues of retail industry are usually very high in the fourth quarter due to Christmas. Therefore, it will not be useful to compare the profitability ratios of this quarter with the profitability ratios of earlier quarters. For meaningful conclusions, the profitability ratios of this quarter should be compared to the profitability ratios of similar quarters in the previous years.

Profitability Ratios:

Profitability ratios measure the company's use of its assets and control of its expenses to generate an acceptable rate of return

- **Net Profit Ratio** = **Net profit**
  - **Sales**

- **Operating Ratio:** = **Operating Expenses**

  Net sales

- **Profitability** = **(130-Operating Ratio %)**

- **Return on Investment** = **Net profit**

  Total Investment

Gross Profit Ratio = **Gross Profit**

Net Sales

- **Operating Margins** = **Operating Income**

  Net sales

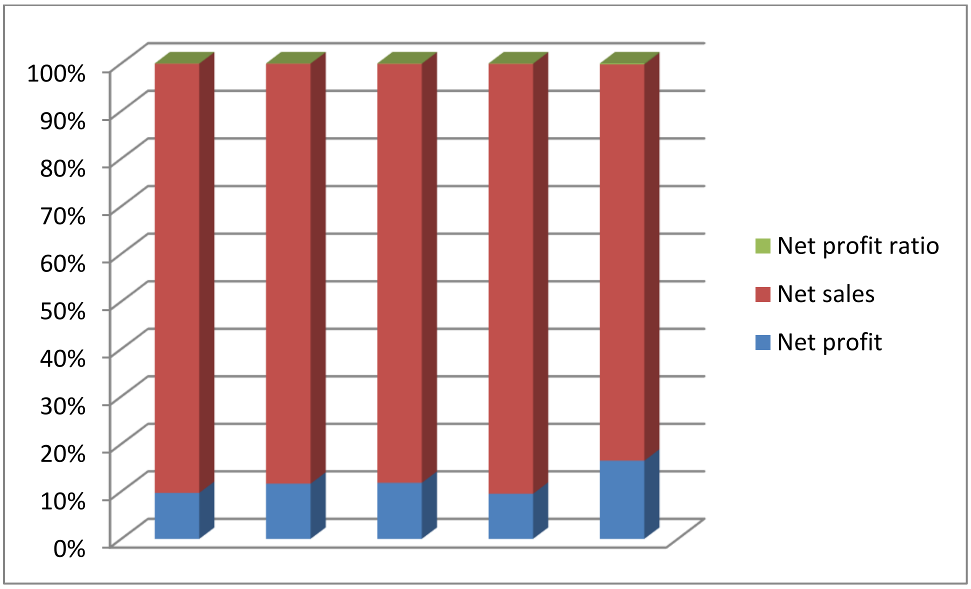
Return on Assets = **Net Income**

Average Total Assets

Net profit ratio:

Net profit \Net sales

Year	Net profit	Net sales	Net profit ratio
2019-2020	2184.47	20279.80	13.5744179
2018-2019	2655.43	20184.94	17.1720218
2017-2018	2446.20	19270.69	17.3886022
2016-2017	1804.23	17205.64	13.6335626
2015-2016	1393.24	7042.82	19.5227593

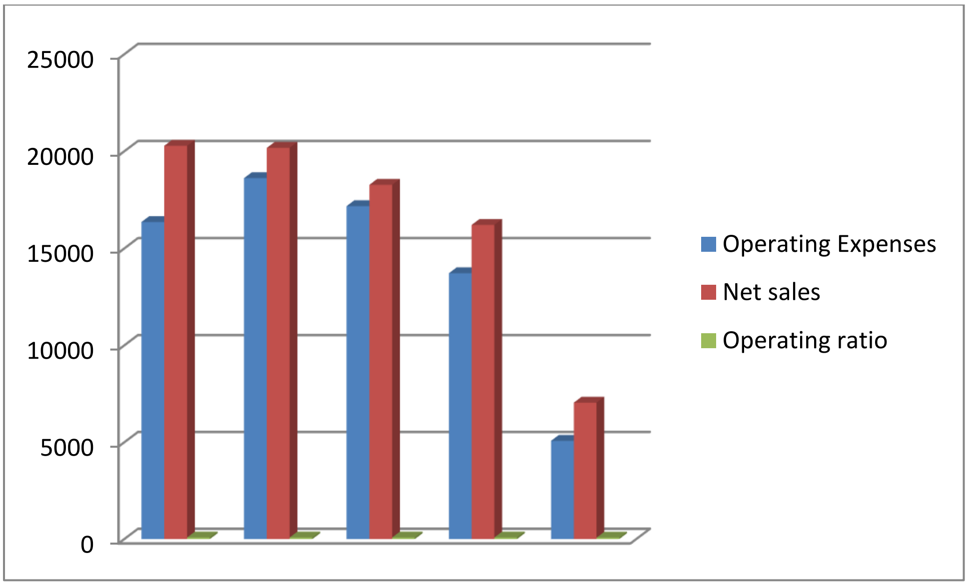


Interpretation:

The net profit of the company is in the decreasing position because of the expenses in the industry are increased the net profit will be in decreasing position in the yare 2018-2019.

Operating ratio **Operating expenses\Net sales**

Year	Operating Expenses	Net sales	Operating ratio
2019-2020	17354.92	20279.80	80.64
2018-2019	19618.65	20184.94	77.42
2017-2018	18184.45	19270.69	77.41
2016-2017	13719.55	17205.64	81.17
2015-2016	5069.77	7042.82	71.98

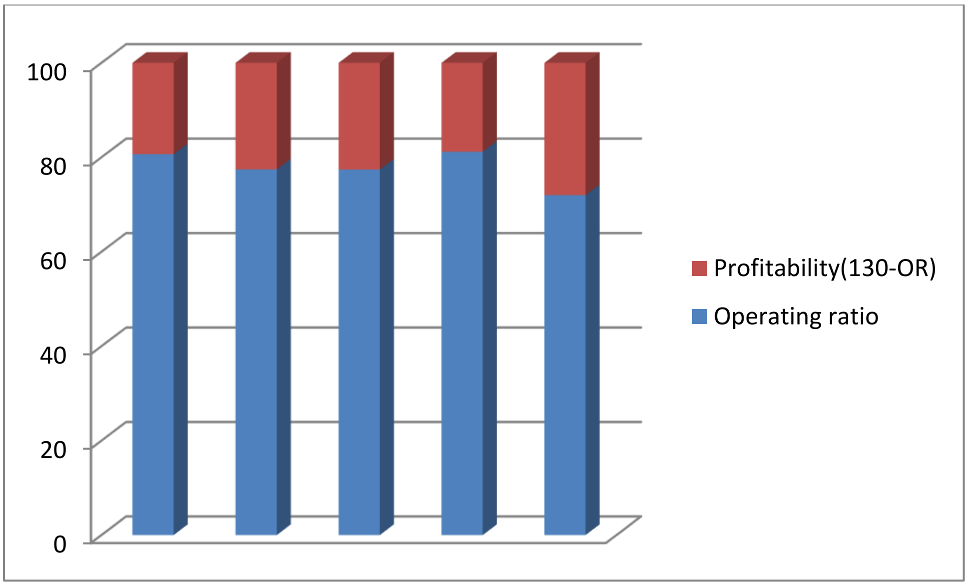


Interpretation:

The operating ratio is a financial term defined as a company's operating expenses as a percentage of revenue. This financial ratio is most commonly used for industries which require a large percentage of revenues to maintain operations in the year 2016-2020.

Profitability = (130-Operating ratio %)

Year	Operating ratio	Profitability(130-OR)
2019-2020	**80.64**	**20.36**
2018-2019	**77.42**	**22.58**
2017-2018	**77.41**	**22.59**
2016-2017	**81.17**	**19.84**
2015-2016	**71.98**	**28.02**



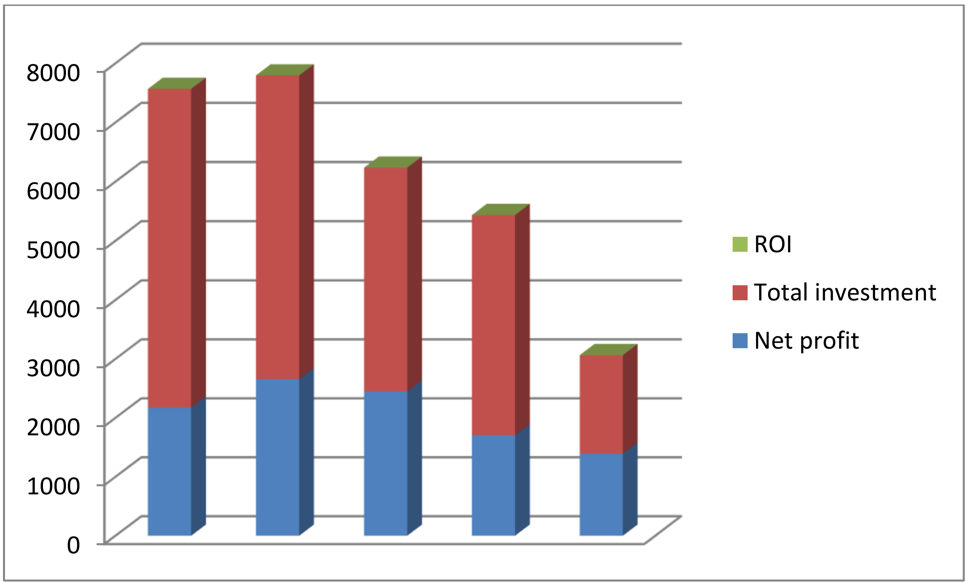
Interpretation:

Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important and it is high in The India cements limited.

Return on investment:

Net profit/Total investment

Year	Net profit	Total investment	ROI
2019-2020	2184.47	5391.67	0.39
2018-2019	2655.43	5138.72	0.51
2017-2018	2446.20	3788.77	0.46
2016-2017	1804.23	3730.32	0.37
2015-2016	1393.24	1769.55	0.65



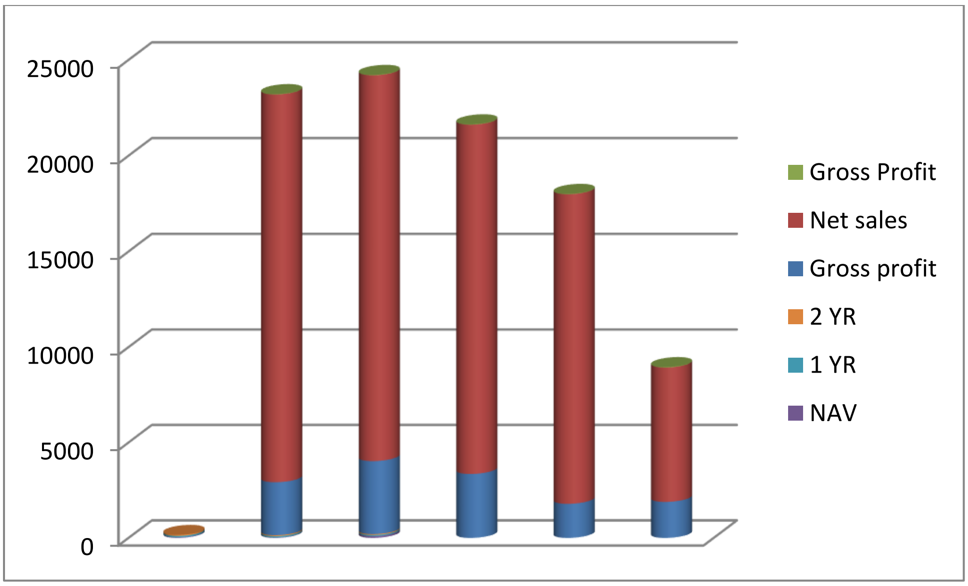
Interpretation:

A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment has been increased to 2016-2020.

Gross profit ratio:

Gross profit \Net sales

Year	Gross profit	Net sales	Gross Profit
2019-2020	2775.51	20279.80	17.68
2018-2019	3825.40	20184.94	19.96
2017-2018	3351.36	19270.69	19.34
2016-2017	1886.20	17205.64	17.52
2015-2016	1988.17	7042.82	22.55



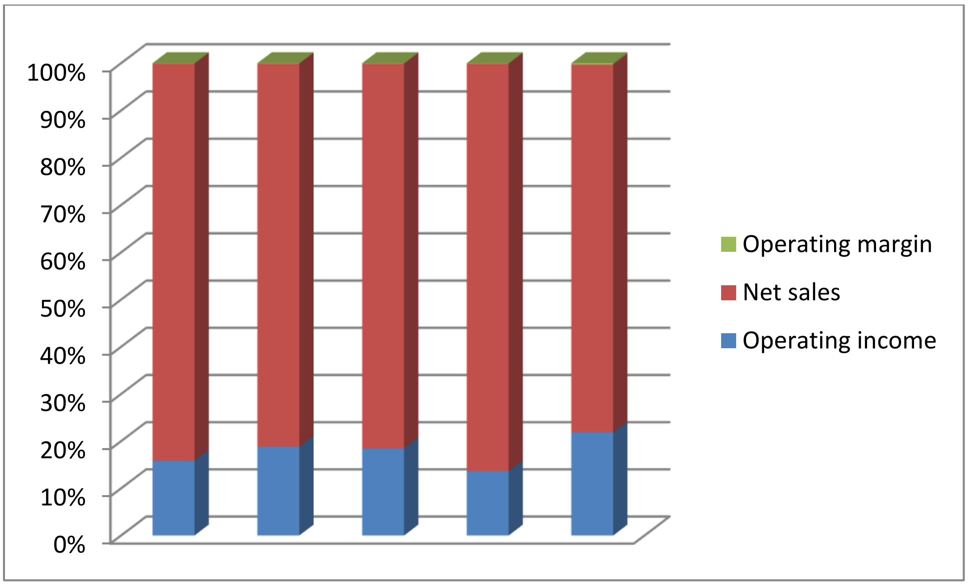
Interpretation:

Gross profit ratio may be indicated to what extent the selling prices of goods per unit may be reduced without incurring losses on operations. It reflects efficiency with which a firm produces its products. As the gross profit is found by deducting cost of goods sold from net sales, higher the gross profit better its yield. By comparing by 2019-2020 has been decreased.

Operating margin:

Operating income\net sales

Year	Operating income	Net sales	Operating margin
2019-2020	3818.90	20279.80	19.82
2018-2019	4675.48	20184.94	23.18
2017-2018	4135.91	19270.69	22.47
2016-2017	2553.20	17205.64	20.33
2015-2016	2077.64	7042.82	28.08



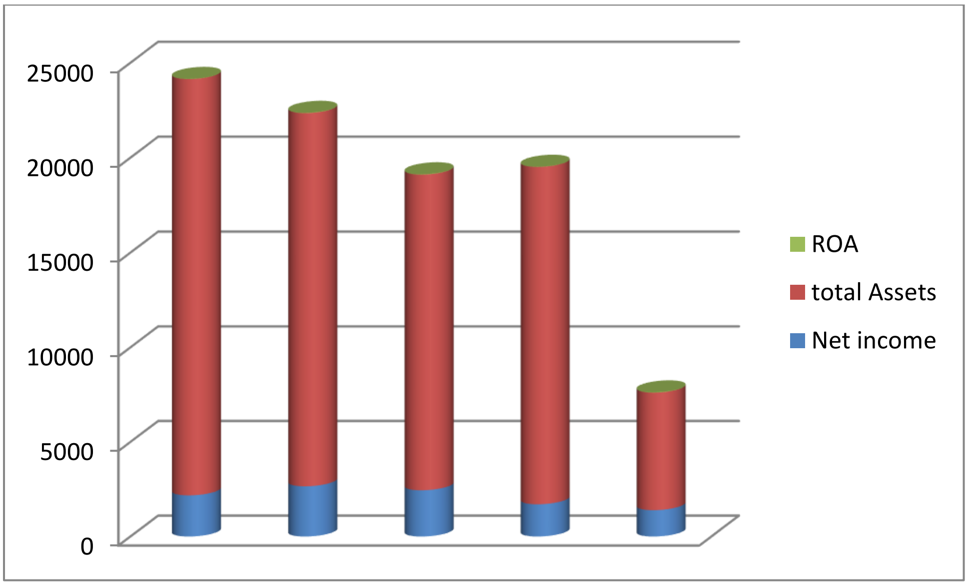
Interpretation:

The two basic components for the calculation of operating ratio are operating cost (cost of goods sold plus operating expenses) and net sales. Operating expenses normally include (a) administrative and office expenses and (b) selling and distribution expenses. in the year 2019 the net sales has been increased.

Return on Assets:

Net income\Average total Assets

Year	Net income	total Assets	ROA
2019-2020	2184.47	22070.29	9.76
2018-2019	2655.43	20697.50	17.48
2017-2018	2446.20	17667.95	18.67
2016-2017	1804.23	18813.64	9.42
2015-2016	1393.24	6217.18	18.59



Interpretation:

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage and it was not improved in the year 2019.

CHAPTER-VII

RESEARCH FINDINGS, CONCLUSION

FINDINGS

1. The ultratech cements limited Net Profitability Ratio is satisfactory.
2. The Operating Ratio of The India cements limited increase in the year 2016-20 ,in the year 2015-16 and reached in the year 2019-20 So the company has to reduce its operating costs. The Operating Ratio of ultratech cements limited is satisfactory. Due to increase in cost of production, this ratio is decreasing. So the has to reduce its office administration expenses.
3. Return on investment is not satisfactory. This indicates that the company's funds are not being utilized in a better way.
4. The Gross Profit Margin of ultratech cements limited increases in decreases due to the increase in sales.
5. Assets turnover ratio of The India cements limited increased. The company has to maintain this.

CONCLUSION

The net profit of ultratech cements limited company is in the decreasing position because of the expenses in the industry are increase, the net profit will be in decreasing position in the year of 2019-2020. The operating ratio of The India cements limited shows that it requires a large percentage of revenues to maintain operations in the year 2016-2020.Profitability ratio of The India cements is satisfactory. The return on investment ratio of ultratech cements limited shows that it has been increase to 2016-2020.

CHAPTER-VIII

SUGGESTIONS.

SUGGESTIONS

- Funds should be utilized properly.
- Better Awareness to increase the sales is suggested.
- Cost cut down mechanics can be employed.
- Better production technique can be employed.
- The investment on raw material should be made as per the requirement. Unnecessary investment may block up the funds

RECOMMENDATION

- Neither too high nor too low inventory turnover ratios may reduce profit and liquidity position of the industry. So, proper balance should be made to increase profits and to ensure liquidity.
- The raw material should be acquired from the right source at right quality and at right cost.
- The process that was being used by The India cements limited with the purchasing department should undergo changes; so that, it seeks enhance the delivery of a product without compromising its quality by improving the utilization of materials, labor and material

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BOOKS

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