

A Study on Financial Statement Analysis of Ultratech Cement Limited

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ABSTRACT

The process of Financial Statement Analysis includes various steps like ratio analysis, trend analysis, comparative statement analysis, schedule of changes in working capital, common size percentages, fund analysis, etc. Financial statement analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. The main objective of any financial analysis or financial statement analysis will be assessing corporate excellence, judging creditworthiness, forecasting bond ratings, predicting bankruptcy, and assessing market risk.

KEYWORDS: financial analysis, financial reports, decision making, profitability, liquidity

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INTRODUCTION

Financial statement analysis is the process of reviewing and analyzing a company's financial statements to make better decisions.

Financial statement analysis has specific techniques for evaluating the risks, performance, financial health, and future prospects of an organization.

MEANING AND DEFINITION

The financial statement analysis refers to the process of determining financial strengths and weaknesses of the firm by establishing strategic relationship between the items of the balance sheet, P&L A/c and other operative data.

“Financial statement analysis is a study of the relationship among the various financial factors in a business as disclosed by a single set of statement and a study of the trend of these factors as show in a series of statements”. -MYERS

NEED OF THE STUDY

- Financial statement analysis helps to know the increase/decrease in each item of the financial statements of the current year over the previous year.
- Financial statement analysis is helpful for intra firm and inters firm analysis.

SCOPE OF THE STUDY

It attempts to analyse the financial performance of Ultratech Cement Limited for the period of 2015-16 to 2019-20.

OBJECTIVES OF THE STUDY

- To know the liquidity position of Ultratech Cements Limited.
- To study the profitability of Ultratech Cements Limited.
- To analyse the future trends of Ultratech Cements Limited.
- To determine the financial performance of Ultratech Cements Limited.

RESEARCH METHODOLOGY

The study is based on the secondary data only.

Secondary data:

The data was collected through annual reports and company website.

Websites:

www.ultratechcement.com
www.adityabirla.com

LIMITATIONS OF THE STUDY

- The study is based on secondary data. Hence , there may be some fractional difference in the calculations.
- The study covers only the period of 5 years data from 2015-16 to 2019-20.

HYPOTHESIS

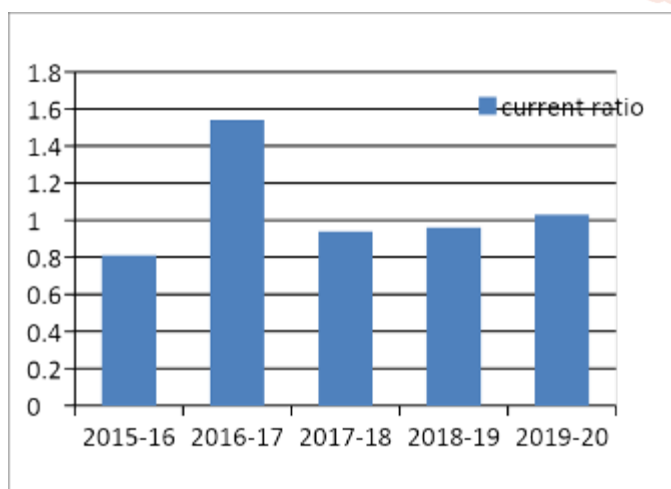
- H_0 : There is no significant relationship between sales and profits.
- H_1 : There is significant relationship between sales and profits.

DATA ANALYSIS AND INTERPRETATION

1. CURRENT RATIO

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

Years	Current assets (in crores)	Current Liabilities (in crores)	Current ratio
2015-16	9191.00	11209.03	0.81
2016-17	12475.05	8058.40	1.54
2017-18	10585.61	11225.95	0.94
2018-19	11478.72	11863.25	0.96
2019-20	14714.15	14263.30	1.03



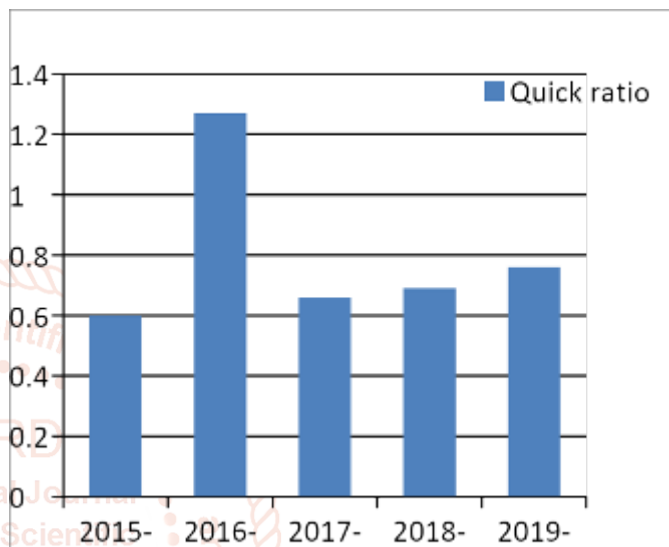
Interpretation:

The standard ratio of the company must be 2:1. It shows that the current ratio of the company is below of the standard ratio. So it is not satisfactory of the company.

2. QUICK RATIO

$$\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}}$$

Years	Quick assets	Current Liabilities	Quick ratio
2015-16	6764.91	11209.03	0.60
2016-17	10250.06	8058.40	1.27
2017-18	7484.11	11225.95	0.66
2018-19	8205.1	11863.25	0.69
2019-20	10880.27	14263.30	0.76



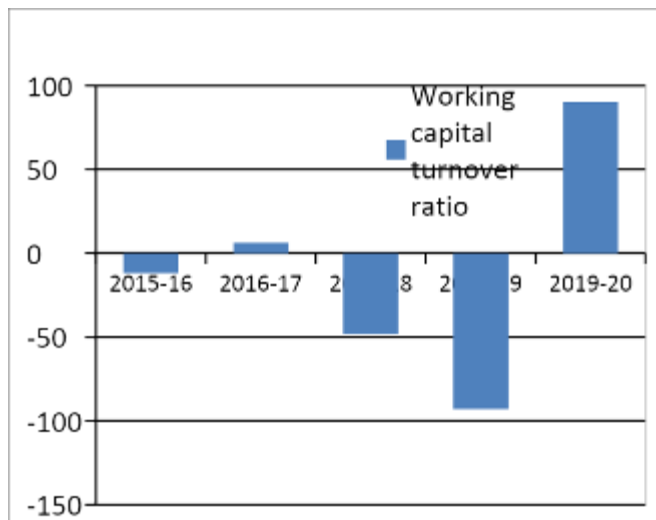
Interpretation:

The standard ratio of the company must be 1:1. From the above graph, 2015-16 & 2017-20 quick assets are less than current liabilities. But in 2016-17 quick assets are more than current liabilities.

3. WORKING CAPITAL TURNOVER RATIO:

$$\text{working capital turnover ratio} = \frac{\text{net sales}}{\text{working capital}}$$

Years	Net sales (in crores)	Working capital (in crores)	Working capital turnover ratio
2015-16	24,107.36	-2,018.03	-11.946
2016-17	27,162.42	4416.65	6.150005
2017-18	30,683.93	-640.34	-47.9182
2018-19	35,703.50	-384.53	-92.8497
2019-20	40,649.17	450.85	90.1611



Interpretation:

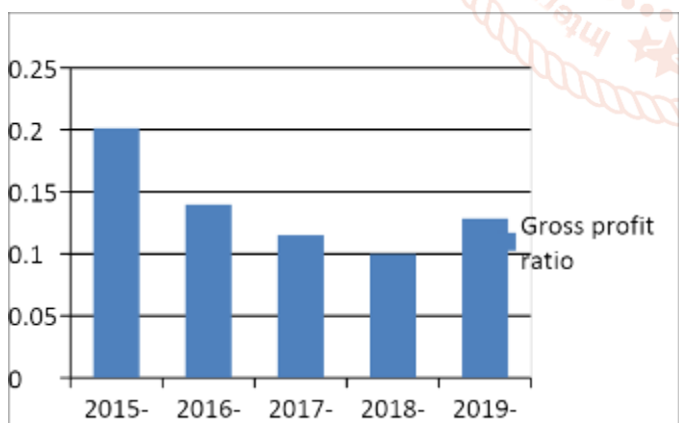
From the above table the working capital turnover ratio in the year 2019-20 is 90.16. But in the remaining years there is an increase and decrease of the values

4. GROSS PROFIT

Gross Profit

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

Years	Gross Profit (in crores)	Net sales (in crores)	Gross Profit ratio
2015-16	4,851.28	24,107.36	0.201236
2016-17	3,789.64	27,162.42	0.139518
2017-18	3,528.12	30,683.93	0.114983
2018-19	3,562.30	35,703.50	0.099775
2019-20	5219.76	40,649.17	0.128410



Interpretation:

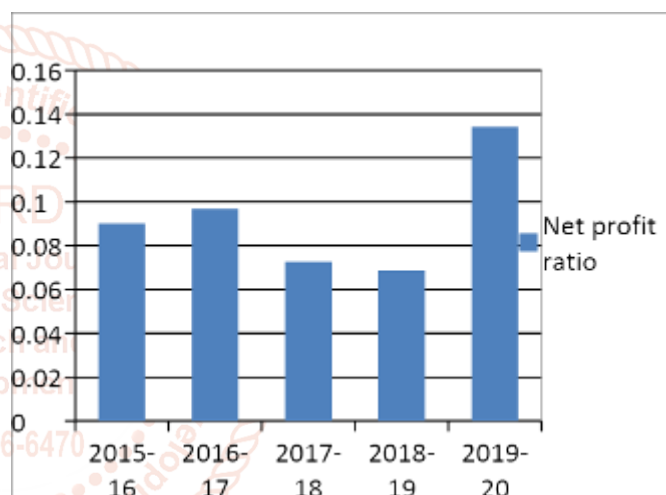
From the above table the gross profit ratio has a continuous decrease in the years 2015-16, 2016-17, 2017-18, 2017-18, 2018-19 i.e., 0.2012, .01395, 0.1149, 0.0997 respectively . But increased in the year 2019-20 i.e., 0.12841.

5. NET PROFIT

Net Profit

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} \times 100$$

Years	Net profit (in crores)	Net sales (in crores)	Net profit ratio
2015-16	2,174.65	24,107.36	0.090207
2016-17	2,627.72	27,162.42	0.096741
2017-18	2,231.28	30,683.93	0.072718
2018-19	2,455.72	35,703.50	0.068781
2019-20	5,455.54	40,649.17	0.134210



Interpretation:

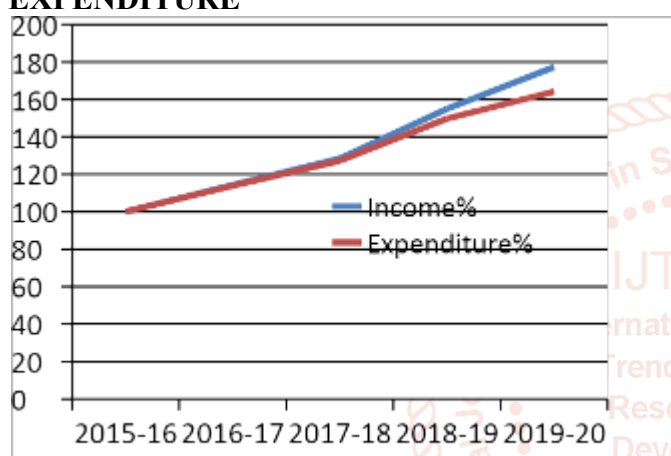
From the above table the net profit ratio has been increased in the years 2015-16 to 2016-17 i.e., from 0.0902 to 0.096. Then it is decreased for two years 2017-19 and increased in the year 2019-20 i.e. 0.1342.

TREND ANALYSIS OF INCOME STATEMENT

Years	Income		Expenditure		Profits		Sales	
	Amount	Trend %	Amount	Trend %	Amount	Trend %	Amount	Trend %
2015-16	24,342.52	100	19,491.24	100	2,174.65	100	24,107.36	100
2016-17	27,822.37	114.29	22,193.47	113.86	2,627.72	120.83	27,162.42	112.67
2017-18	31,278.63	128.49	24,800.65	127.23	2,231.28	102.60	30,683.93	127.28
2018-19	36,174.95	154.97	29,183.23	149.72	2,455.72	112.92	35,703.50	148.10
2019-20	41,375.75	177.25	31,996.87	164.16	5,455.54	250.86	40,649.17	168.61

Particulars	2015-16		2016-17		2017-18		2018-19		2019-20	
	Amount	Trend %	Amount	Trend %	Amount	Trend %	Amount	Trend %	Amount	Trend %
Non-current Assets	28,661.08	100	26,806.04	93.52	43,787.39	152.77	46,957.73	163.83	57,102.77	199.23
Current Assets	9,191.00	100	12,475.05	135.73	10,585.61	115.17	11,478.72	124.89	14,714.15	160.09
Total Assets	37,852.08	100	39,281.09	103.77	54,373.00	143.64	58,436.45	154.38	71,816.92	189.73
Total Equity	20,736.09	100	23,941.01	115.45	25,923.02	125.01	27,947.72	134.77	38,296.32	184.68
Non-current liabilities	5,906.96	100	7,281.68	123.27	17,224.03	291.58	18,625.48	315.31	19,257.30	326.01
current liabilities	11,209.03	100	8,058.40	71.89	11,225.95	100.15	11,863.25	105.83	14,263.30	127.24
Total liabilities	37,852.08	100	39,281.09	103.77	54,373.00	143.64	58,436.45	154.38	71,816.92	189.73

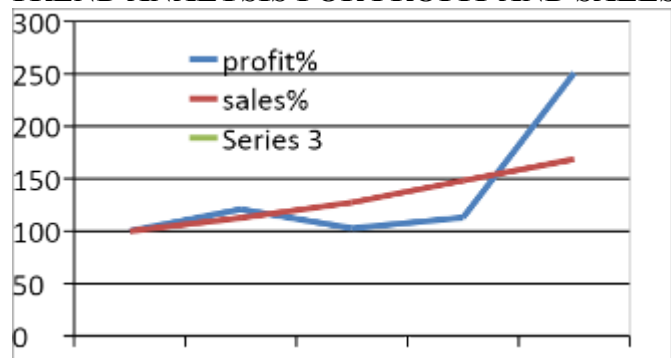
TREND ANALYSIS FOR INCOME AND EXPENDITURE



Interpretation:

Here, there is continuous improvement in both Income & Expenditure of the organisation from 2015-16 to 2019-20. It means the organisation is balancing both revenues and expenses.

TREND ANALYSIS FOR PROFIT AND SALES

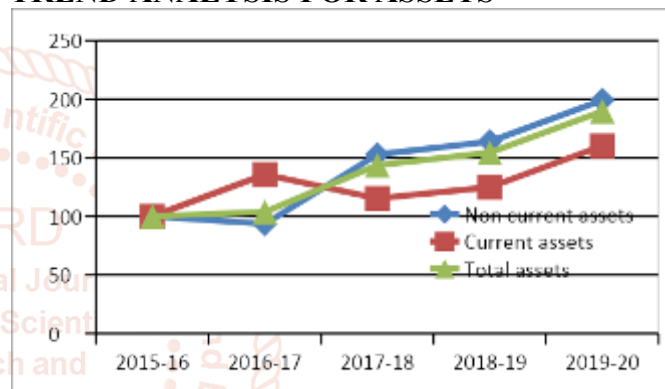


Interpretation:

Here, there is continuous improvement in sales of the organisation from 2015-16 to 2019-20 this indicates the sales are in increasing trend. The profits has been increased upto 2016-17 with 120.83% , then decreased to 102.6% in 2017-18 and then increased to 250.86% in 2019-20.

TREND ANALYSIS OF FINANCIAL STATEMENT

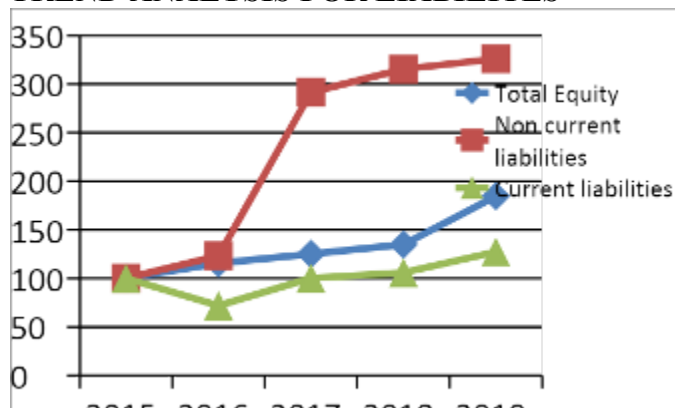
TREND ANALYSIS FOR ASSETS



Interpretation:

Here, from 2015-17 current assets and total assets are increasing whereas non-current assets are in decreasing stage. As time changes the current assets decreases from 2017-18 and non-current assets, total assets are in increasing stage. For remaining years they are increasing.

TREND ANALYSIS FOR LIABILITES



Interpretation:

Here Total equity, Current Liabilities and Total Liabilities are increasing moderately whereas Non-current Liabilities are increasing rapidly from 2016-17 onwards.

T-TEST

T-Test

[DataSet0]

	N	Mean	Std. Deviation	Std. Error Mean
sales	5	318611.4	6527.52495	2861.21580
profits	5	250900.0	116018.823	8711.52500

	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
sales	10.892	4	.000	318611.2000	23428.5659	388925.8501
profits	4.806	4	.009	250900.0000	1262.2431	475148.7

Interpretation:

The table value of T-Test at 5% level of significance and 4 as degrees of freedom is 2.77 where as calculated value is greater than table value. So, we are accepting alternative hypothesis and rejecting null hypothesis

CORRELATION

Correlations

[DataSet0]

		sales	profits
sales	Pearson Correlation	1	.775
	Sig. (2-tailed)		.124
	N	5	5
profits	Pearson Correlation	.775	1
	Sig. (2-tailed)	.124	
	N	5	5

Interpretation:

The observed correlation value is .775 which is positive correlation. So, there exists positive relation between sales and profits.

FINDINGS

- The current ratios is fluctuating during the study period ,it is slight increased from 0.96 to 1.03 in the year 2018-19 to 2019-20 respectively.
- The working capital turnover ratio in the year 2019-20 is 90.1611 which is increased from 2018-19 i.e. -92.8497.
- There is a huge change in the profit after tax i.e Rs 2455.72 to Rs 5455.54 crores from 2019-20 respectively.
- In all the five years the Quick ratio is lower than Ideal ratio of 1:1 except in financial year 2016-17 which is 1.27

SUGGESTIONS

- The current ratio of the company is below the standard ratio in all the 5 years under study, hence it should be improved at least to the standard.
- The company may increase the investment in current assets to meet its short-term obligation.

- The profits of the company are in fluctuating trend so company should take necessary measures.

CONCLUSION

From the study it is identified that the company overall financial performance and financial position of Ultratech Cements Limited is satisfactory. The study identified some drawbacks in few areas. The company has improvement in its performance in the current year over the previous years.

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