

A

Project Report on

**“FINANCIAL ANALYSIS OF  
A KESORAM INDUSTRIES.LTD”**



***Palamuru University***

This project Report submitted in partial fulfillment of the requirement for the award of the Degree of “**BACHELOR OF COMMERCE**”  
2021-2022

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**UNDER THE ESTEEMED GUIDENCE OF**

**Mrs.RESHMA BEGUM**

(Lecturer in commerce)



***DR.BRR GOVT DEGREE COLLEGE***

(Affiliated to Palamuru University)

**Jadcherla, Mahabubnagar**

# **CERTIFICATE**

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**PRINCIPAL**

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***Dr.K. MANJULA***

**HEAD OF THE  
DEPARTMENT**

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***(Mrs. RESHMA BEGUM)***  
**PROJECT GUIDE**

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**EXTERNAL EXAMINAR**

**INTERNAL EXAMINAR**

## **DECLARATION**

I hereby declare that the project work entitled on **“FINANCIAL ANALYSIS OF A KESORAM INDUSTRIES”.LTD** submitted by me to the Department of Commerce is a Bonafide work done by me and it is not submitted to any other university to Institution for the award of any UG B.Com/Certificate or published any time before, under the guidance of **Mrs. RESHMA BEGUM, (lecturer In commerce.)** The project embodies the result of original work and studies carried out by me and the contents of the project do not form the basis for the award of any other degree to me.

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## **ACKNOWLEDGEMENT**

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My sincere thanks to **Mrs. APPIYYA CHINNAMMA**, Principal Dr.BRR Govt Degree and Pg College, Jadcherla, Mahabubnagar for giving me the permission to carry out the project work.

HOD **Mrs. K.MANJULA** and My project guide **Mrs.RESHMA BEGUM,(lecturer In commerce.)** for the kind encouragement and constant support extended completion of this project work from the bottom of my heart.

I am also thankful to all those who have incidentally helped me, through their valued guidance, Co-Operation and unstinted support during the course of my project.

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## ABSTRACT

The financial statement analysis is one of the major tools to know the company key financial position to analyses the company balance sheet and profit and loss account .Various financial statements by using different ratios and techniques .It can express where the company's financial performance is good and where the performance is bad for the future investment purpose .But the analysis is based on the company's previous data .For the purpose of the study data is collected through secondary source of data collection method .Major sources of the data of financial statements are available at kilogram cement.

The kilogram cement is one of the leading truck motor manufacturing company .The company was incorporated in 1958 .The kilogram cement product development success have come from a keen sense of anticipation and attentiveness .The company needs to know their own financial performance in every year .So that this analysis is helpful to the management for expanding the decisions and the financial viability and present availability of funds.

In the financial statement analysis majorly we use the ratios like profitability and leverage ratio and half yearly and quarterly variance of the financial elements to interpretative the changes occurred this project is helpful in knowing the company's position of funds maintenance and setting the standards for ratios . This project is done entirely as a whole entity .It will give overall view of the organization and it is useful in their further expansion decision to be taken by management.



# INDEX

<u>CONTENTS:</u>	<u>PAGE NO.</u>
CHAPTER-1	
INTRODUCTION	10 - 15
CHAPTER-2	
LITEARATURE REVIEW	16-36
CHAPTER-3	
COMPANY PROFILE	37 - 44
CHAPTER-4	
DATA ANALYSIS	45- 49
CHAPTER -5	
FINDINGS & CONCLUSION	50 -52
REFERENCES	53

# CHAPTER I

## INTRODUCTION OF THE STUDY

Financial statement analysis is the calculation and comparison of ratios which are derived from the information in a company's financial statements. The level and historical trends of these ratios can be used to make inferences about a company's financial condition, its operations and attractiveness as an investment.

Financial statements are calculated from one or more pieces of information from a company's financial statements. For example, the "gross margin" is the gross profit from operations divided by the total sales or revenues of a company, expressed in percentage terms. In isolation, a financial ratio is a useless piece of information. In context, however, a financial ratio can give a financial analyst an excellent picture of a company's situation and the trends that are developing.

A statement gains utility by comparison to other data and standards. Taking our example, a gross profit margin for a company of 25% is meaningless by itself. If we know that this company's competitors have profit margins of 10%, we know that it is more profitable than its industry peers which is quite favorable. If we also know that the historical trend is upwards, for example has been increasing steadily for the last few years, this would also be a favorable sign that management is implementing effective business policies and strategies.

Financial statement analysis groups the ratios into categories which tell us about different facets of a company's finances and operations. An overview of some of the categories of ratios is given below.

- **Leverage Ratios** which show the extent that debt is used in a company's capital structure.
- **Liquidity Ratios** which give a picture of a company's short term financial situation or solvency.
- 
- **Operational Ratios** which use turnover measures to show how efficient a company is in its operations and use of assets.

## **NEED OF THE STUDY:**

The ability of an organization to analyze its financial position is essential for improving its competitive position in the marketplace. Through a careful analysis of its financial performance, the organization can identify opportunities to improve performance at the department, unit, or organizational level.

In this course, participants will learn to use several ratio analysis instruments to achieve a comprehensive understanding of a firm's financial performance. The course then addresses how this financial health information can be used as a foundation upon which to design and implement initiatives for increased productivity and profitability.

So those use ratio analysis to analyze financial statements. Understand the organization's financial performance and improve its competitiveness.

And the various ratios explain the company position. Those are

- Predictor Ratios indicate the potential for growth or failure.
- Profitability Ratios which use margin analysis and show the return on sales and capital employed.
- Asset Management Ratios which use turnover measures to show how efficient a company is in its operations and use of assets.
- Liquidity Ratios which give a picture of a company's short term financial situation or solvency.
- Debt Management Ratios which show the extent that debt is used in a company's capital structure.

## **OBJECTIVES OF THE STUDY:**

The main objective of the calculating the financial statements in company:

- To investigate the reasons for the changes.
- To provide indicators of a firms past performance in terms of its operational activity and profitability and new present financial condition.
- To study the profitability of the company.
- To permit the charting of a firms history and the evaluation of its present position.
- To allow comparison to the made which assist in a predicting the future.
- To construct a simple explanation of a complicated financial statement by it's expression in one figure.

## **METHODOLOGY OF THE STUDY:**

For the analysis of the financial statements, the collection of relevant data is very much essential. There are two broad methods in the data collection. They are

1. Primary data
2. Secondary data

### **Primary data:**

Primary data has been collected directly without any references. In this study it is gathered through interviews with concerned officers and staff of the organization either individually or collectively.

### **Secondary data:**

Secondary data has been collected from already published sources such as audited annual reports and internal records of the organization.

### **Techniques of Financial Analysis:**

For the analysis of the financial statements various techniques of have been developed. Depending on the objectives of the analysis, a group of analytical techniques is selected for a result-oriented analysis. The selected tools of analysis are

- i. Comparative Statement
- ii. Common size statement
- iii. Trend analysis
- iv. Ratio analysis

## **SCOPE OF THE STUDY:**

Financial Analysis has a very broad scope. One aspect looks at the general (qualitative) factors of a company. The other side considers tangible and measurable factors (quantitative). This means crunching and analyzing numbers from the financial statements. If used in conjunction with other methods, quantitative analysis can produce excellent results.

Ratio analysis isn't just comparing different numbers from the balance sheet, income statement, and cash flow statement. It's comparing the number against previous years, other companies, the industry, or even the economy in general. Ratios look at the relationships between individual values and relate them to how a company has performed in the past, and might perform in the future.

And Current assets alone don't tell us a whole lot, but when we divide them by current liabilities we are able to determine whether the company has enough money to cover short term debts.

## **LIMITATIONS OF THE STUDY:**

- Many statements are calculated on the basis of the balance-sheet, profit & loss account figures. These figures are as on the balance-sheet and p&l account date only and may not be indicative of the year-round position.
- Comparing the ratios with past trends and with competitors may not give a correct picture as the figures may not be easily comparable due to the difference in accounting policies, accounting period etc.
- It gives current and past trends, but not future trends.
- Impact of inflation is not properly reflected, as many figures are taken at historical numbers, several years old.
- There are differences in approach among financial analysts on how to treat certain items, how to interpret ratios etc.
- The ratios are only as good or bad as the underlying information used to calculate them.

## **CHAPTER II**

### **LITERATURE REVIEW:**

## **DEFINITIONS:**

The term "Financial Analysis" is also known as "Analysis and interpretation of financial statements". It refers to the process of determining financial strengths and weakness of the firm by establishing strategic relationships establishing between the items of the Balance Sheet, Profit & Loss Account and other operative data.

### **ACCORDING TO Mr. HARRY GUTTMANN:**

"The first and most important function of financial statement is of course to those who control and direct the business to the end of securing the profits and maintaining sound financial conditions."

### **ACCORDING TO Mr. MYEN:**

"Financial Statement analysis is largely a study of relationship among the various financial factors in business as dissolve by a simple set of statements and a study of those factors as shown in a series of Statements".

## **NATURE OF FINANCIAL STATEMENTS:**

The term "Financial Statements" refers to the Balance Sheet reflecting the financial position of the Assets,. Liabilities a capital of a particular company during a certain period and Profit & Loss account showing the operational results of the company during a certain period. Financial Statements are plain Statements of informed opinion uncompromising in their truthfulness. It is meant that with in the limits of accepted accounting principles and the very human abilities of the persons preparing them they have to rely on judgments and estimated divorced of prejudices.

## **CONVENTIONS:**

According to the American Institute of Certified Public Accounts, financial statements reflect," a combination of recorded facts accounts conventions and personal judgments and the judgments and



the conventions applied affect them materially". This implies that the exhibited in the financial statements are affected by recorded facts, accounting conventions and personal judgments.

### **USES AND IMPORTANCES OF FINANCIAL STATEMENTS:**

The financial statements are mirrors which reflect the financial position and operating strength or weakness of the Concern. These statements are useful to management, investors, creditors, banker's, workers. Government and public at large. George O May points out the following major used of financial statements:

- As a basis for Taxation.
- As a basis for price or rate regulation
- As a guide to the value of investment already made
- As a basis for granting credit.

### **LIMITATIONS OF FINANCIAL STATEMENTS:**

Financial Statements are essentially interim reports and hence cannot be final because the actual gain or loss of a business can be determined only efface it has put down its shutters.

They tend to give an appearance of finality and accuracy, because they are expressed in exact money amount. Any value to the amounts presented in the statement depends on the value standards of the person dealing with them.

### **BALANCE SHEET:**

The Balance Sheet is one of the important statements depicting the financial strength of Concern. It shows the properties that are owned on one hand and on the other hand the sources of the Assets owned by the Concern and all the Liabilities and claims it owes to owners and outsiders. The Balance Sheet is prepared on a particular date. The right hand side shows properties and Assets and the left had shows Liabilities.

### **INCOME STATEMENTS OR PROFIT AND LOSS ACCOUNT:**

Income Statement is prepared to determine the operational position of the Concern. It is a statement of Revenues. The income Statement may be prepared in the form of a manufacturing account to find out the cost of the production, in the form of trading account to determine Gross profit or loss, in the form of a Profit and loss account to determine net profit or net loss.

### **STATEMENT OF CHANGES IN OWNERS EQUITY:**

The term Owner's equity refers to the claims of the owners of the business against the Assets of the firm. It consists of two elements.

1. Paid up share capital i.e. the initial amount of funds invested by the shareholders.
2. Retained earnings / Reserves and Surplus representing undistributed profits.

The Statement of changes in Owner's equity simply shows the beginning balance of each owners equity account, the reasons for increases and decreases in each, and its ending balance. However, in most cases only the owner's equity account changes significantly in retained earnings and hence the statements of changes in owners equity becomes merely a statement of retained earnings.

### **STATEMENT OF CHANGES IN FINANCIAL POSITION:**

The basic Financial Statement i.e, the Balance Sheet and Profit and Loss account and Income Statement of a business reveals the net effect of various transactions on the operational position of the Company. But there are many transactions that do not operate through Profit and Loss account. Thus for a better understanding another statement of changes in financial position has to be prepared to show the changes in assets and liabilities from the end of another point of time. The Statement of changes in Financial position may take any of the two forms. They are:

- Funds Statements.
- Cash Flow Statements.

### **TOOLS OF FINANCIAL ANALYSIS USED IN THE STUDY:**

**Meaning of Comparative Statement:**

The Comparative Financial Statements are the statements of the Financial position of different periods; the elements of financial positions are then in a Comparative form to give idea of financial position of two or more periods. The Comparative Statements may show:

- a) Absolute Figures
- b) Changes in Absolute Figures i.e. increase or decrease in Absolute Figures.
- c) Absolute data in terms of percentage.
- d) Increase or Decrease in terms of Percentage.

### **COMPARATIVE BALANCE SHEET:**

It is a Statement of Financial position of a business at a specified movement of time. It represents all Assets owned by the business at a particular movement of time and the claims of the owners and outsiders against those Assets at the time. It is a way that shapes the financial condition of the business at that time.

The important distinction between an Income Statement and Balance Sheet is that the Income Statement is for a period while Balance Sheet is on a particular date.

Financial Management is the process of managing the financial resources, including accounting and financial reporting, budgeting, collecting accounts receivable, risk management, and insurance for a business.

The financial management system for a small business includes both how you are [financing](#) it as well as how you manage the money in the business.

In setting up a financial management system your first decision is whether you will manage your financial records yourself or whether you will have someone else do it for you. There are a number of

alternative ways you can handle this. You can manage everything yourself; hire an employee who manages it for you; keep your records inhouse, but have an accountant prepare specialized reporting such as tax returns; or have an external bookkeeping service that manages financial transactions and an accountant that handles formal reporting functions. Some accounting firms also handle bookkeeping functions. Software packages are also available for handling bookkeeping and accounting.

Bookkeeping refers to the daily operation of an accounting system, recording routine transactions within the appropriate accounts. An accounting system defines the process of identifying, measuring, recording and communicating financial information about the business. So, in a sense,



**Financial Planning**

### COMMON SIZE STATEMENT:-

The common-size statements, balance sheet and income statement are shown in analytical percentages. The figures are shown as percentages of total assets, total liabilities and total sales. The total assets are taken as 100 and different assets are expressed as a percentage of the total similarly, various liabilities are taken as a part of total liabilities.

### COMMON SIZE BALANCE SHEET:-

A statement in which balance sheet items are expressed as the ratio of each asset to total assets and the ratio of each liability is expressed as a ratio of total liabilities is called common size balance. The common size balance sheet can be used to compare companies of differing size. The comparison of figures in different periods is not useful because total figures may be affected by a number of factors. It is not possible to establish standard norms for various assets. The trends of figures from year to year may not be studied and even they may not give proper results.

### TREND ANALYSIS OF BALANCE SHEET:-

Trend analysis is a very important tool of horizontal financial analysis.

This analysis enables to know the change in the financial function and operating efficiency in between the time period chosen.

By studying the trend analysis of each item we can know the direction of changes and based upon the direction of changes, the options can be changed.

$$\text{Trend} = \frac{\text{Absolute Value of item in the statement under study}}{\text{Absolute Value of same item in the base statement}} * 100$$

Absolute Value of same item in the base statement

## CASH MANAGEMENT

Good cash management can have a major impact on overall working capital management.

The key elements of cash management are:

- Cash forecasting;
- Balance management;
- Administration;
- Internal control.

**Cash Forecasting.** Good cash management requires regular forecasts. In order for these to be materially accurate, they must be based on information provided by those managers responsible for the amounts and timing of expenditure. Capital expenditure and operating expenditure must be taken into account. It is also necessary to collect information about impending cash transactions from other financial systems, such as creditors and payroll.

**Balance Management:** Those responsible for balance management must make decisions about how much cash should at any time be on call in the Departmental Bank Account and how much should be on term deposit at the various terms available.

There are various types of mathematical model that can be used. One type is analogous to the ERQ inventory model. Linear programming models have been developed for cash management, subject to certain constraints. There are also more sophisticated techniques.

**Administration.** Cash receipts should be processed and banked as quickly as possible because:

- They cannot earn interest or reduce overdraft until they are banked;
- Information about the existence and amounts of cash receipts is usually not available until they are processed.

Where possible, cash floats (mainly petty cash and advances) should be avoided. If, on review, the only reason that can be put forward for their existence is that "we've always had them", they should be discontinued. There may be situations where they are useful, however. For example, it may be desirable for peripheral parts of departments to meet urgent local needs from cash floats rather than local bank accounts.

**Internal Control.** Cash and cash management is part of a department's overall internal control system. The main internal cash control is invariably the bank reconciliation. This provides assurance

that the cash balances recorded in the accounting systems are consistent with the actual bank balances. It requires regular clearing of reconciling items.

*The key to successful cash management is milestones:*

- Capital is provided to execute a business plan
- Cash use must track growth in enterprise value
- Enterprise value is measured by milestones, not the fiscal calendar

*Cash management is not cost control*

- Cost control is a reactive measure using crude tools e.g. % cuts
- Cost control often depletes value (e.g. by using people as accounting chips)
- **CREDITORS MANAGEMENT**
- Creditors are the businesses or people who provide goods and services in credit terms. That is, they allow us time to pay rather than paying in cash.
- There are good reasons why we allow people to pay on credit even though literally it doesn't make sense! If we allow people time to pay their bills, they are more likely to buy from your business than from another business that doesn't give credit. The length of credit period allowed is also a factor that can help a potential customer deciding whether to buy from a company or not: the longer the better.
- Creditors will need to optimize their credit control policies in exactly the same way as the debtors' turnover ratio.

## **DEBTORS MANAGEMENT**

The objective of debtor management is to minimize the time-lapse between completion of sales and receipt of payment. The costs of having debtors are:

- Opportunity costs (cash is not available for other purposes);
- Bad debts.

Debtor management includes both pre-sale and debt collection strategies.

**Pre-sale strategies include:**

- Offering cash discounts for early payment and/or imposing penalties for late payment;
- Agreeing payment terms in advance;
- Requiring cash before delivery;

- Setting credit limits;
- Setting criteria for obtaining credit;
- Billing as early as possible;
- Requiring deposits and/or progress payments.

**Post-sale strategies include:**

- Placing the responsibility for collecting the debt upon the center that made the sale;
- Identifying long overdue balances and doubtful debts by regular analytical reviews;
- Having an established procedure for late collections, such as
  - a reminder;
  - a letter;
  - cancellation of further credit;
  - telephone calls;
  - use of a collection agency;
  - legal action.

**Objectives of Receivables management:**

- To maintain an optimum level of investment in receivables.
- To maintain optimum volume of sales.
- To control the cost of credit allowed & to keep it at the minimum possible level.
- To keep down the average collection period.
- To obtain benefit from the investment in debtors at optimum level.

**Debt Control and Debt Collection Period**

Debt control is an important part of business activity because although a debt is an asset, it is not as liquid an asset as cash in the bank. Firms have to ensure they collect their debts as efficiently as possible within the terms they have set for the debt.

The only way we can consider how efficient the firm's debt control has been is to use a ratio. This ratio is known as the **debt collection period**.



The figure measures (in number of days) how long on average it has taken the firm to collect its debts. The higher the figure the longer it has taken. However, the normal period for collecting debts will differ between industries. For example, a figure of 10 days may sound very impressive, but if this was the figure for a chain of supermarkets it would be high. Therefore no debt is incurred and retail firms will tend to have very few debtors and a low debt collection period. Firms who do a lot of business on credit though will have much higher debt collection periods.

### **Debtors' Turnover**

Debtors control is a vital aspect of working capital management. Many businesses need to sell their goods on credit, otherwise they might find it difficult to survive if their competitors provide such credit facilities; this could mean losing customers to the opposition.

## **WORKING CAPITAL MANAGEMENT**

Introduction:

Working capital management means management of current assets of the firm. Working capital can be defined in simple terms as excess of current assets over current liabilities. In short it is the difference between inflow and outflow of funds. Working capital includes stock of raw material, semi finished goods including work in progress, cash in hand and bank and debtors after deducting current liabilities i.e. Sunday creditors for institutions and other financial institutions within 12 months and creditors for purchase of Raw Material and any short terms advances towards sale of goods.

The goal of working capital management is to manage the firms current assets and current liabilities in such a way that a satisfactory level of working capital is maintain. This is because if the firm cannot maintain the satisfactory level of working capital, it is likely to become insolvent and may even forced into bankruptcy. The current assets should be large enough to cover its current liabilities in order to ensure a reasonable margin of safety. Working capital is a circulating capital, means those assets which are changed to one form to other form.

In managing the current assets effectively the following points to be considered:

### **CONCEPT OF WORKING CAPITAL**

There are three types of working capital, Gross working capital, Net working capital and fixed working capital.

**1. Gross Working Capital:** It refers to the firm's investment in current assets i.e. mainly stock, debtors, bills receivables and cash. This is also known as 'Current capital concept' or 'Circulating capital concept'. It is represented by the sum total of the current assets of the enterprise. It is known as 'Circulating capital' because current assets of a company are changed from one form to another, for e.g. from cash to inventories, inventories to receivables to cash.

The Gross capital concept focuses attention on two aspects of current assets management:

a) Optimum investment in current assets and  
Financing of current assets.

**2. Networking capital:** It is the difference between the current assets and current liabilities. Alternatively it is that portion of the firm's current assets, which is financed by long-term funds. Net working capital being the difference between current assets and current liabilities is a quantitative concept.

a) It indicates the liquidity position of the firm.

b) Suggests the extent to which working capital needs may be financed by  
Permanent sources of funds.

3. **Fixed working capital:** Every firm is required to maintain a balance of cash, inventory etc, in order to meet the business requirement even in the slack seasons. This part of current assets is called as permanent or fixed working capital.

#### 4. COMPONENTS OF WORKING CAPITAL

Cash brought in the business is used for purchase of raw material or payment of wages and other expenses incurred for converting raw material into finished goods. Goods once manufactured are sold and cash is realized from customers. So the working capital includes the current assets like cash and bank, inventory, receivables etc. It is presented in the following operations circle with the cash, raw material, finished goods and receivables showing various linkages.

#### NEEDS OF WORKING CAPITAL

Every firm differs in the requirement of working capital. The firm's aim is how effectively utilized working capital to maximize the wealth and sufficient returns from its operations. It depends

upon the steady growth of profits and successful sales activity. For this we have to invest enough funds in the current assets for the achievement of the sales activity. Investment in current assets is needed, as sales do not convert in to cash intentionally, operating cycle involve, in conversion of sales in to cash. Operating cycle is the duration of, time required to convey sales after conversion of resources in to inventory and cash.

The working capital needs of a firm are influenced by numerous factors. The important ones are

Nature of Business

Seasonality of operations

Production policy

Market condition

Conditions of supply

Several strategies are available to a firm for financing its capital requirement. An important one is based on the matching principle. According to this principle, the maturity of the sources of finance should match the maturity of the assets being financed. This means the fixed assets and permanent current assets should be supported by long term sources of finance whereas fluctuating current assets must be supported by short- term sources of finance.

#### TYPES OF WORKING CAPITAL

Depending upon the nature of the funds blocked, working capital can be of two types

#### PERMANENT OR REGULAR WORKING CAPITAL

#### VARIABLE WORKING CAPITAL

#### PERMANENT OR REGULAR WORKING CAPITAL

The magnitude of the current assets depends upon the firms operating cycle. The operating cycle is a continuous process and the need for current assets is also continuously. But the level of current assets needed is not always same. It increase or decreases overtime. However there is always minimum level of current assets which is continues required by a firm to carry out its business operations. The minimum level of current assets which is continues required by a firm to carry out its business operations. The minimum level of current assets is called permanent or fixed working capital. It represents the minimum amount of investment in current assets that is seemed necessary to carry on operations at time. It is also known as 'hard core'. It is of two kinds:

#### a) INITIAL WORKING CAPITAL:

At its inception and during the formation period of its operations, a company must have enough cash funds to meet its obligations. In the initial year its revenues may not be regular and adequate credit arrangements may not be available from banks, financial institutions, etc., till it has established its credit standing, credit may have to be granted on sales to attract the customers.

#### **b) REGULAR WORKING CAPITAL**

It is the amount of working capital needed for the continuous operations of the business of the company. It refers to the excess of current assets over the current liabilities so that the process of conversion of cash into stock, stock into sales, receivables and collections is maintained without any breaks.

### ***VARIABLE WORKING CAPITAL***

This working capital required over and above the permanent working capital depends upon changes in production and sales are called fluctuating or variable working capital or temporary working capital. There may be changes either increase or decrease in working capital. Many the variable working capital required in season dependent. It represents additional assets required at different times during the operating year to cover any change or variability from the normal operations. It can be of two parts:

#### **A. Seasonal working capital:**

The amount to be blocked due to seasonal nature of industry. Examples are package tours and summer tours. Obviously it refers to financial requirement that cope up during that particular season. Beyond their initial and regular circulating capital most business will require at started intervals a large amount of current assets to fill the demands of the seasonal busy periods.

#### **B. Special Working Capital:**

Extra funds are needed to meet contingencies, festivals, and special occasions. All business enterprises have to be prepared to meet unforeseen eventualities that may arise in the course of their operations. Therefore, they must have extra funds at 'Unstated Periods' to meet contingencies.

### ***COMPOSITION OF WORKING CAPITAL***

Working capital consists of Current Assets and Current Liabilities:

#### **Current Assets:**

Current Assets are those, which can be converted into cash with one year without affecting the operations of the firm. In the management of working capital, two characteristics of current assets must be borne in mind:

1. Short life span, and
2. Swift transformation into other asset forms.

The life span of current assets depends upon the time required in the activities of procurement, production, and sales.

### **List of Current Assets:**

1. Cash and Bank Balances
2. Investments
  - a. Government and Other Trustee Securities
  - b. Fixed deposits with Banks
3. Receivables arising out of Sales
4. Installments of Deferred receivable due within a year
5. Raw Material and components used in the process of manufacture including those in transit
6. Stock in Process including semi-finished goods
7. Other consumable spares
8. Advance payment of tax
9. Advance for purchase of raw materials, components and consumable stores
10. Prepaid Expenses
11. Deposits kept with public bodies for the business operations.

### **Current Liabilities:**

Current Liabilities are those, which are expected to fall due or mature for payment in a short period not exceeding a year and represent short term sources of funds.

### **List of Current Liabilities:**

1. Short term Borrowings (including bills purchased and discounted) from
  - a. Banks and
  - b. Others
2. Unsecured Loans
3. Public deposits maturing in one year
4. Sundry creditors for raw materials and consumable stores and spares
5. Interest and other charges accrued but not due for payment
6. Deposits from Dealers, Sellers agents, etc

7. Installments of term Loans, Deferred payments, Credits, Debentures, Redeemable preference shares and long term deposits, payable within one year
8. Statutory Liabilities
  - a. P F dues
  - b. Provision for taxation
  - c. Sales tax and excise tax
  - d. Obligations towards workers considered statutory
  - e. Others
9. Miscellaneous Current Liabilities
  - a. Dividends
  - b. Liabilities for expenses
  - c. Gratuity payable within one year
  - d. Other provisions
  - e. Any other payment due within one year

## **FACTORS DETERMINING WORKING CAPITAL**

### **Nature or character of business**

The working capital requirements of a firm basically depend upon the nature of its business. Public utility undertakings like electricity, water and railway need very limited working capital because they offer cash sales only and supply services.

### ***Size of business or Scale of operations***

The working capital requirements of a concern are directly influenced by the size of its business which may be measured in terms of scale of operations. Greater the size of business unit, generally larger will be the requirement of working capital.

### ***Production policy***

In certain industries the wide fluctuations may be due to seasonal variations. The requirements of working capital in such a case depend upon the production policy.

### **Seasonal Variations:**

In certain industries the raw material may not be available throughout the year. They have to buy raw materials in bulk during the season to ensure an uninterrupted flow of production.

### **Working Capital cycle:**

In a manufacturing concern the working capital starts with the purchase of raw materials and ends with realization of cash from the sale of finished products. The speed with which the working capital completes one cycle determines the requirements of working capital. Longer the period of cycle larger is the requirement of working capital.

### **Credit Policy:**

The credit policy of a concern in its dealings with debtors and creditors considerably influence the requirements of working capital. A concern that purchases its requirements on credit and sells its products on cash requires less amount of working capital.

### **Business cycle:**

Business cycles refer to alternative expansion and contraction in general business activity. In a period of boom i.e., when the business is prosperous, there is a need for larger amount of working capital due to the increase in sales, rise in prices, optimistic expansion of business, etc. On the contrary in the times of depression i.e., when there is down swing of the cycle, the business contracts, sales decline, difficulties are faces in collections from debtors and firms may have a large amount of working capital lying idle.

### **Growth Rate of business:**

The working capital requirement of a concern increase with the growth and expansion of its business activities. Although, it is difficult to determine the relationship between the growth in the volume of business and working capital of a business, yet it may be concluded that for normal rate of expansion in the volume of business, we may have retained profits to provide for more working capital but in fast growing concerns, we shall require large working capital.

### **Price level changes:**

Changes in the price level also affect the working capital requirements. Generally, the rising prices will require the maintain large amount of working capital as more funds will be required to

maintain the same current assets. The effect of rising prices may be different for different firms. Some firms may be affected much while some others may not be affected at all by the rise in prices.

### **Others factors:**

Certain other factors such as operating efficiency, management ability, irregularities of supply, import policy, asset structure, importance of labor, banking facilities, etc., also influence the requirements of working capital.

## **FUNDS FLOW ANALYSIS**

Funds Flow statement is a method by which we study changes in the financial position of a business enterprise between beginning and ending financial statements dates. Hence, the funds flow statement is prepared by comparing two balance sheets and worth the help of such other information derived from the accounts as may be needed.

Broadly speaking, the preparation of funds flow statement consists of two parts:

1. Statement of Schedule of Changes in Working Capital
2. Statement of sources and Application of Funds

### **1. STATEMENT OF CHANGES IN WORKING CAPITAL:**



Working Capital means the excess of current assets over current liabilities. Statement of Changes in Working Capital Is prepared to show the changes in the working capital between the two balance sheet dates. This statement is prepared with the help of Current Assets and Liabilities derived with the help of Current Assets and Current Liabilities derived from the two balance sheets as:

▪ **Working Capital = Current Assets – Current Liabilities.**

1. An increase in Current Assets increase Working Capital
2. A decrease in Current Assets decrease Working Capital
3. An increase in Current Liabilities decrease Working Capital
4. A decrease in current Liabilities increase Working Capital

The changes in all current assets and liabilities are merged into one figure only – either an increase or decrease in working capital over the period for which funds statements has been prepared. If the working capital at the end of the period is more than the working capital at the beginning thereof, the difference is expressed as ‘Increase in working capital’. On the other hand, if the working capital at the end of the period is less than that at the commencement, the difference is called ‘Decrease in Working Capital’

### **Working Capital Cycle**

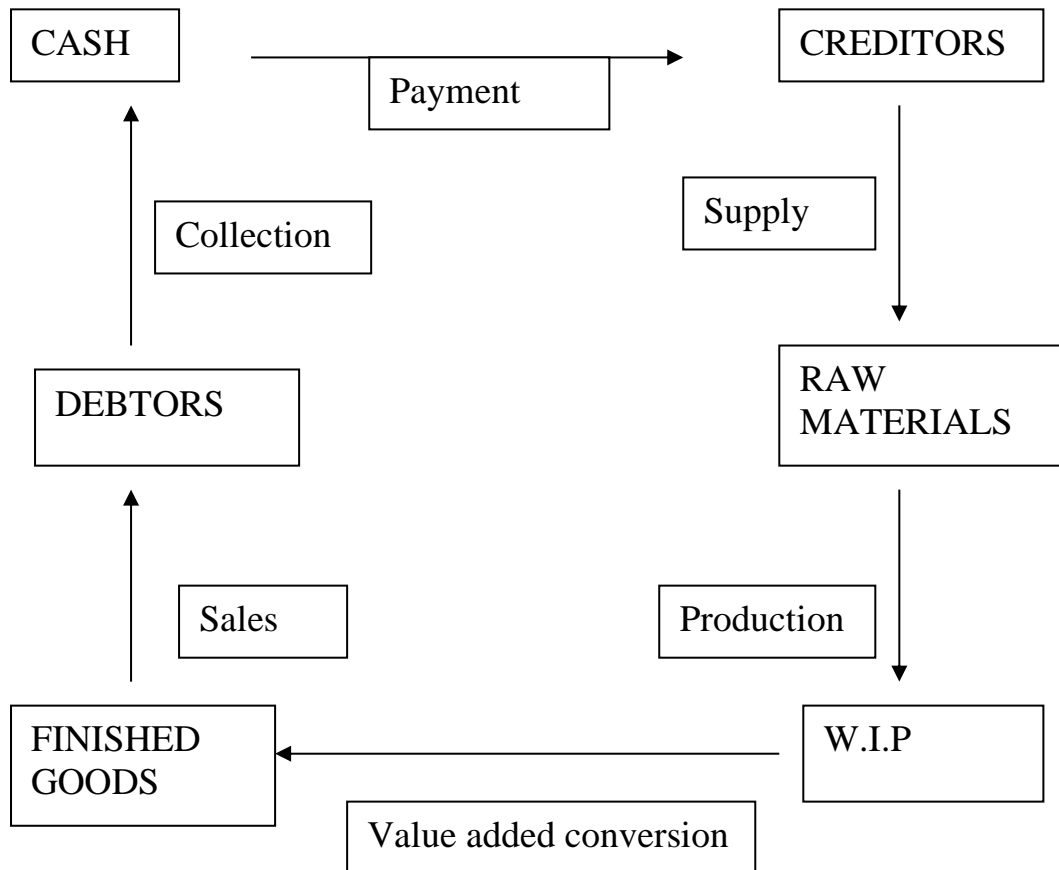
The way working capital moves around the business is modeled by the **working capital cycle**. This shows the cash coming into the business, what happens to it while the business has it and then where it goes.

The working capital cycle shows the movement of cash into and out of the business. The components of working capital cycle are the debtors, creditors, raw materials and cash.

The cycle starts with buying of raw materials on credit from the suppliers. These suppliers become the creditors of the company. The raw materials undergo through different value addition stages and are converted into finished goods. The finished goods are sold to the customers on credit who become the debtors of the company. At the end of the credit period the company gets the cash from the debtors whom they pay to the creditors and the cycle goes on.

It is must for any company to have an ideal working capital cycle. It should neither be too long nor too short. If the cycle is too long the funds get stuck up with the debtors and prompt payment to the creditors cannot be made.

A simple working capital cycle may look something like:



### WORKING CAPITAL FINANCING

Banks are the main institutional sources of working capital finance in India. After trade credit bank credit is the most important source of working capital requirement of firms in India. A bank considers a firm’s sales and production plans and the desirable levels of current assets in determining its working capital requirements. The amount approved by the bank for the firm’s working capital is called credit limit.

## CHAPTER III

## **COMPANY PROFILE**

### **HISTORY OF INDIAN CEMENT INDUSTRY**

By stating productions in 1914 the story of Indian Cement is a stage of continuous growth. Cement is derived from the Latin word “Cement”.

Egyptians and Romans found the process of manufacturing cement. In England during the first century the hydraulic cement has become more versatile building material. Later on, Portland cement was invented and the invention was usually attributed to Joseph Aspdin of Enland.

India is the world’s 4<sup>th</sup> largest cement produced after China, Japan and U.S.A. The South Industries have produced cement for the first time in 1904. The company was setup in Chennai with the installed capacity of 30 tonnes per day. Since then the cement industry has progressing leaps and bounds and evolved into the most basic and progressive industry. Till 1950 – 1951, the capacity of production was only 3.3 million tones. So far annual production and demand have been growing a pace at roughly 78 million tones with an installed capacity of 87 million tones.

In the remaining two years of 8<sup>th</sup> plan an additional capacity of 23 million tones will actually come up.

India is well endowed with cement grade limestone (90 billion tones ) and coal (190 billion tones). During the nineties it had a particularly impressive expansion with growth rate of 10 percent.

The strength and vitality of Indian Cement Industry can be gauged by the interest shown and support give by World Bank, considering the excellent performance of the industry in utilizing the loans and achieving the objectives and target. The World Bank is examining the feasibility of providing a third line of credit for further upgrading the industry in varying areas, which will make it global. With liberalization policies of Indian Government. The industry is posed for a high growth rates in nineties and the installed capacity is expected to cross 100 million tones and production 90 million tones by 2003 A.D.

The industry has fabulous scope for exporting its product to countries like the U.S.A., U.K., Bangladesh, Nepal and other several countries. But there are not enough wagons to transport cement for shipment.

#### **Cement – The Product:**

The natural cement is obtained by burning and crushing the stones containing clayey, carbonate of lime and some amount of carbonate of magnesia. The natural cement is brown in color and its best variety is known as “ROMAN CEMENT”. It sets very quickly after addition of water.

It was in the eighteenth century that the most important advances in the development of cement were which finally led to the invention of Portland cement.

In 1756, John Sematon showed that hydraulic lime which can resist the action of water can be obtained not only from hard lime stone but from a limestone which contain substantial proportion of clayey.

In 1796, Joseph Parker found that modules of argillaceous limestone made excellent hydraulic cement when burned in the usual manner. After burning the product was reduced to a powder. This started the natural cement industry.

The artificial cement is obtained by burning at a very high temperature a mixture of calcareous and argillaceous material. The mixture of ingredients should be intimate and they should be in correct proportion. The calcined product is known as clinker. A small quantity of gypsum is added to clinker and it is then pulverized into very fine powder, which is known as cement.

The common variety of artificial cement is known as normal setting cement or ordinary cement. A mason Joseph Aspdn of Leeds of England invented this cement in 1824. He took out a patent for this cement called it “PORTLAND CEMENT” because it had resemblance in its color after setting to a variety of sandstone, which is found a abundance in Portland England.

The manufacture of Portland cement was started in England around 1825. Belgium and Germany started the same 1855. America started the same in 1872 and India started in 1904. The first cement factory installed in Tamilnadu in 1904 by South India limited and then onwards a number of factories manufacturing cement were started. At present there are more than 150 factories producing different types of cements.

## **Composition of Cement:**

The ordinary cement contains two basic ingredients, namely, argillaceous and calcareous. In argillaceous materials the clayey predominates and in calcareous materials the calcium carbonate predominates.

A good chemical analysis of ordinary cement along with desired range of ingredients.

Ingredients	Percent	Range
Lime (CaO)	62	62 – 67
Silica (SiO <sub>2</sub> )	22	17 – 25
Alumina (Al <sub>2</sub> O <sub>3</sub> )	5	3 – 8
Calcium Sulphate (CaSO <sub>4</sub> )	4	3 – 4
Iron Oxide (Fe <sub>2</sub> O <sub>3</sub> )	3	3 – 4
Magnesia (MgO)	2	1 – 3
Sulphur (S)	1	1 – 3
Alkalies	1	0.2 – 1

### **Industry Structure and Development:**

With a capacity of 115 million tones of large cement plants, Indian cement industry is the fourth largest in the world. However per capita consumption in our country is still at only 100 Kgs against 300 Kgs of developed countries and offers significant potential for growth of cement consumption as well as addition to cement capacity. The recent economic policy announcement by the government in respect of housing, roads, power etc., will increase cement consumption.

#### **Opportunities and Threats**

In view of low per capita consumption in India, there is a considerable scope for growth in cement consumption and creation of new capacities in coming years.

per capital consumption of cement.

Cement Companies	51 Nos
Cement Plants	99 Nos
Installed Capacity	64.8 mt
Total Investment (approx)	Rs. 10,000 Crores
Total Manpower	Over 1.25 Lakhs

Management Award of the Government of Andhra Pradesh. Kesoram is also conscious of its social responsibilities. Its rural and community development programmes include adoption of two nearby villages, running an Agricultural Demonstration Farm, a Model Dairy Farm etc., Impressed by these activities, FAPCCI chose Kesoram to confer the Award for “Best efforts of an Industrial Unit in the State to Develop Rural Economy” twice, in the year 1994 as well as in 1998. Kesoram also has to its credit the National Award (Shri. S.R. Rangta Award for Social Awareness) for the year 1995 – 1996, for the Best Rural Development Efforts made by the Company. In the same year Kesoram got the First Prize for Mine Environment and Pollution Control for year 1999 too, for the 3<sup>rd</sup> year in succession in July, 2001 Kesoram annexed the “Vana Mithra” Award from the Government of Andhra Pradesh.

Quality conscious and progressive in its outlook, Kesoram Cement is an OHSAS 08001 Company and also joined the select brand of ISO9001-2000 Companies.

## History

The first unit was installed at Basanthnagar with a capacity of 2.5 lack TPA (tones per annum) incorporating humble supervision, preheated system, during the year 1969.

The second unit followed suit with added a capacity of 2 lack TPA in 1971.

The plant was further expanded to 9 lack by adding 2.5 lack tones in August, 1978, 1.13 lack tones in January, 1981 and 0.87 lack tones in September, 1981.

## Power

Singareni Collieries makes the supply of coal for this industry and the power was obtained from AP TRANSCO. The power demand for the factory is about 21MW. Kesoram has got 2 diesel generator sets of 4MW each installed in the year 1987.

Kesoram cement now has a 15 KW captive power plant to facilitate for uninterrupted power supply for manufactured of cement.

## **KESORAM CEMENT**

One among the industrial giants in the country today, serving the nation on the industrial front Kesoram Industries Limited has a chequered and eventful history dating back to the Twenties when the Industrial House of Birlas acquired it. With only a Textile Mill under it banner in 1924, it grew from strength to strength and spread its activities to never firds like Rayon, Pulp, Transparent paper, Spun pipes and Refractories, Tyres, Oil Mills and Refinery Extraction.

Looking to the wide gap between demand and supply, of a vital commodity, cement, which plays an important role in nation – building the Government of India de – licensed the Cement Industry in the year 1966 with a view to attract private entrepreneurs to argument the cement product Kesoram rose to the occasion and decided to set up a few cement plants in the country.

The first Cement Plant of Kesoram with a capacity of 2.5 lack tones per annum based on dry process, was established in 1969 at Basanthnagar a backward area in Karimnagar District, Andhra Pradesh, and christened it Kesoram Cement. The second unit followed suit, which added a capacity of 2.00 lack tones in 1971. The plant was further expanded to 9.00 lack tones by adding 2.5 lack tones in August 1978. 1.14 lack tones in January, 1981 and 0.87 lack tones in September, 1981.

Kesoram Cement has outstanding track record of performance and distinguished itself among all the Cement factories in India by bagging the coveted National Productivity Award for two successive years, i.e., in 1985 and 1986, so also the National Awards for Mines Safety for two year 1985 – 86 and 1986 - 87. Kesoram also bagged NCBM's (National Council for Cement and Building Materials) National Award for Energy Conservation for the year 1989 – 90.

Kesoram got the prestigious State Award “Yajamnya Ratna” & “Best Management Award” for the year 1989; so also the FAPCCI (Federation of Andhra Pradesh Chamber of Commerce and Industry) Award for the Best Family planning effort in the State. For the year 1987 – 88, Kesoram also got the FAPCCI Award for Best Industrial Promotion / Expansion effort in the state. In the year 1991

Kesoram also got the May day Award of the Government of Andhra Pradesh for “Best Management” and “Pandit Jawaharlal Nehru Silver Rolling Trophy for the Best Productivity effort in the State, sponsored by FAPCCI, for 1993 Kesoram got the Best.

## **Performance:**

The performance of Kesoram Cement industry had been outstanding achieving over cent per cent capacity utilization although despite many odds like power cuts and which most 40% was waste due to wagon shortage etc.

The Company being a continuous process industry works round the clock and has an excellent record of performance achieving over 100% capacity utilization.

Kesoram has always combined technical progress with industrial performance. The company had a glorious track record for the last 27 years in the industry.

## **Technology:**

Kesoram Cement uses most modern technology and the computerized control in the plant. A team of dedicated and well – experienced experts manages the plant. The quality is maintained much above the bureau of Indian Standards.

The raw materials used for manufacturing cement are:

- Lime stone
- Bauxite
- Hematite
- Gypsum

## **Environmental and Social Obligations**

For environmental promotion and to keep – up the ecological balance, this section has undertaken various social welfare programs by adopting ten nearby villages, organizing family welfare camps, surgical camps, children immunization camps, animal health camps, blood donation camps, distribution of fruit bearing trees and seeds, training for farmers etc., were arranged.

## **Welfare and Recreation Facilities**



For the purpose of recreation facility 2 auditoriums were provided for playing indoor games, cultural function and activities like drama, music and dance etc.,

The industry has provided libraries and reading rooms. About 1000 books are available in the library. All kinds of newspaper, magazines are made available.

Canteen is provided to cater to the needs to the employees for supply snacks, tea, coffee and meals etc.,

One English medium and one Telugu medium school are provided to meet the educational requirements.

The company has provided a dispensary with a qualified medical office and paramedical staff for the benefit of the employees. The employees covered under ESI scheme have to avail the medical facilities from the ESI hospital.

Competitions in sports and games are conducted every year for August 15, Independence day and January 26, Republic Day among the employees.

## **Electricity**

The power consumption per ton for cement has come down to 108 units against 113 units last year, due to implementation of various energy saving measures. The performance of captive power plant of this section continues to be satisfactory. Total power generation during the years was 84 million units last year. This captive power plant is playing a major role in keeping power costs with in economic levels.

The management has introduced various HRD programs for training and development and has taken various other measures for the betterment of employees efficiency / performance.

The section has installed adequate air polluting control systems and equipment and is ISO 14001 such as Environment Management System is under implementation.

# **Awards**

## **Directors of Kesoram Industries Limited**

### **Chairman:**

- **Syt. B.K. Birla.,**

### **Directors:**

- **Smt. K.G. Maheshwari,**
- **Shri. Pramod Khaitan,**
- **Shri B.P. Bajoria,**
- **Shri P.K. Chokesy,**
- **Smt. Neeta Mukerji,**
- **(Nominee of I.C.I.C.I.),**
- **Shri D.N. Mishra,**
- **(Nominee of L.I.C.),**
- **Shri Amitabha Ghosh,**
- **(Nominee of U.T.I.),**
- **Shri P.K. Malik,**
- **Smt. Manjushree Khaitan.,**

### **Secretary:**

- **Shri S.K. Parik.,**

### **Senior Executives:**

- **Shri K.C. Jain (Manager of the Company),**
- **Shri J.D. Poddar,**
- **Shri O.P. Poddar,**
- **Shri P.K. Goyenka,**
- 

## **CHAPTER IV**

## Data analysis:

<b>Kesoram cement</b>					
<b>Profit and Loss</b>					
Rs. Cr					
Period & months	2011/03	2010/03	2009/03	2008/03	2007/03
<b>INCOME</b>					
Net Operating Income	7,972.52	7,358.88	5,359.94	4,269.36	3,457.96
<b>EXPENSES</b>					
Material Consumption	5,855.39	5,521.20	3,897.38	3,084.49	2,433.31
Manufacturing Expenses	102.76	87.13	74.69	78.23	70.84
Personel Expenses	616.17	480.7	403.89	354.05	309.74
Selling Expenses	194.63	170.7	117.3	76.01	52.3
Administrative Expenses	399.76	413.1	326.71	254.24	197.23
Capitalised Expenses	-0.67	-0.13	-0.41	-0.81	-0.37
Cost of Sales	7,168.04	6,672.71	4,819.56	3,846.20	3,063.05
Reported PBDIT	804.48	686.18	540.38	423.15	394.91
Other Recuring Income	70.3	63.19	42.76	43.72	59.41
Adjusted PBDIT	874.78	749.37	583.14	466.88	447.11
Depreciation	177.36	150.57	126.01	121.36	96.45
Other Write-offs	0.49	0.3	0.31	0.3	0.3
Adjusted PBIT	696.93	598.5	456.82	345.22	350.36
Finanical Expenses	83.63	31.82	38.37	30.4	59.41
Adjusted PBT	613.3	566.67	418.45	314.81	290.95
Tax Charges	168.84	163.22	124.98	83.6	92.88
Adjusted PAT	444.46	403.45	293.47	231.21	198.07
Non-recurring Items	24.85	37.83	33.85	28.05	-4.49
Other Non-cash Adjustments	0	2.96	0	0	0
REPORTED PAT	469.31	441.29	327.32	271.41	193.58
<b>APPROPRIATIONS</b>					
Equity Dividend	199.77	198.58	159.79	118.93	89.2
Preference Dividend	0	0	0	0	0
Retained Earnings	597.27	448.19	323.54	257.35	190.17

CALCULATION OF KESORAM CEMENT QUATERLY VARIENCE :

<b>Kesoram cement.</b>						
						<b>Rs. cr</b>
<b>year</b>	<b>2018/19</b>	<b>2018/17</b>	<b>var %</b>	<b>2017/16</b>	<b>2016/15Z</b>	<b>var %</b>
Sales Income	1,000.85	1,800.08	-44.4	7,729.12	8,304.72	-6.93
Other Income	10.58	43.7	-75.78	74	70.8	4.51
Expenditure	917.71	1,634.61	-43.86	6,925.13	7,602.03	-8.9
Interest	39.41	15.25	158.45	49.74	5.33	832.86
Gross Profit	54.32	193.93	-71.99	828.25	768.16	7.82
Depreciation	35.78	40.83	-12.37	177.36	150.57	17.79
Tax	-2.56	31.61	-108.11	173.17	163.22	6.1
PAT	18.87	120.22	-84.31	469.31	441.29	6.35
Equity	133.03	133.03	0	133.03	132.39	0.49
OPM (%)	8.31	9.19	-0.88	10.4	8.46	1.94
GPM (%)	4.37	8.35	-3.98	9.76	8.4	1.36
NPM (%)	1.88	6.67	-4.79	6.07	5.31	0.76

CALCULATION OF KESORAM CEMENT HALF YEARLY VARIENCE:

<b>Kesoram cement.</b>									
<b>Half - yearly results</b>									
<b>Rs. Cr</b>									
<b>Year</b>	<b>2019/1 1</b>	<b>2019/1 0</b>	<b>var</b>	<b>2018/1 1</b>	<b>208/10</b>	<b>Var</b>	<b>2017/0 3</b>	<b>2017/0 3</b>	<b>var</b>
<b>Period</b>	<b>1st Half</b>	<b>1st Half</b>	<b>%</b>	<b>2nd Half</b>	<b>2nd Half</b>	<b>%</b>	<b>Full Year</b>	<b>Full Year</b>	<b>%</b>
Sales Income	3,750.27	3,367.04	11.38	4,362.09	4,734.7 2	-7.87	7,729.12	8,304.72	-6.93
Other Income	40.66	18.69	117.55	55.31	23.26	137.79	74	70.8	4.52
Total Expenditure	3,445.27	3,024.26	13.92	3,900.89	4,285.7 4	-8.98	6,925.12	7,602.04	-8.9
Interest	35.27	25.38	38.97	24.36	4.44	448.65	49.74	5.33	833.2 1
Gross Profit	310.39	336.09	-7.65	492.16	467.8	5.21	828.25	768.16	7.82
Depreciatio n	94.64	87.91	7.66	89.45	81.35	9.96	177.36	150.57	17.79
Tax Charges	45.34	74.7	-39.3	98.47	103.52	-4.88	173.17	163.22	6.1
Extra Ordinary Items	-52.59	-4.96	-960.28	-3.45	-6.15	43.9	-8.41	-13.08	35.7
Reported PAT	117.81	168.52	-30.09	300.79	276.78	8.67	469.31	441.29	6.35
Prior Year Adjustment	0	0	NA	0	0	NA	0	0	NA
Reswritten Back	0	0	NA	0	0	NA	0	0	NA
Equity Capital	133.03	133.03	0	133.03	132.39	0.48	133.03	132.39	0.48
Res & Surplus	0	0	NA	1,993.57	1,739.2 3	14.62	1,993.57	1,739.23	14.62

**Balance Sheet**

Rs. Cr					
Period & months	2011/03	2010/03	2009/03	2008/03	2007/03
<b>SOURCES OF FUNDS</b>					
<b>Owned Funds</b>					
Equity Share Capital	133.03	132.39	122.16	118.93	118.93
Share Application Money	0	0	0	0	0
Preferential Share Capital	0	0	0	0	0
Reserves & Surplus	1,993.57	1,739.23	1,266.35	1,024.35	907.64
<b>Loan Funds</b>					
Secured Loans	190.24	360.22	184.69	263.5	310.36
Unsecured Loans	697.26	280.18	507.24	616.91	188.72
<b>TOTAL</b>	<b>3,014.11</b>	<b>2,512.01</b>	<b>2,080.44</b>	<b>2,023.68</b>	<b>1,525.64</b>
<b>USES OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	2,942.44	2,620.20	2,138.50	2,002.25	1,875.64
Accumulated Depreciation	1,416.89	1,313.16	1,195.23	1,108.40	1,000.81
Less: Revaluation Reserve	22.38	22.96	23.95	24.59	25.23
Net Block	1,503.17	1,284.08	919.33	869.26	849.6
Capital Work-in-progress	661.08	407.7	198.32	85.16	46.27
Investments	609.9	221.09	368.18	229.19	146.6
<b>Net Current Assets</b>					
Current Assets, Loans & Advances	2,759.38	2,544.92	2,183.12	2,161.15	1,465.08
Less: Current Liabilities & Provisions	2,541.72	1,970.20	1,595.82	1,340.40	1,014.24
Total Net Current Assets	217.66	574.72	587.31	820.75	450.84
Miscellaneous Expenses not written off	22.29	24.42	7.31	19.33	32.32
<b>TOTAL</b>	<b>3,014.11</b>	<b>2,512.01</b>	<b>2,080.44</b>	<b>2,023.68</b>	<b>1,525.64</b>
Number of Equity shares outstanding (Cr.)	133.03	132.39	122.16	118.93	11.89
Bonus component in Equity Capital	6.23	6.23	6.23	6.23	6.23
<b>Notes:</b>					
Book Value of Unquoted Investments	365.07	43.22	56.28	54.49	48.36
Market Value of Quoted Investments	391.84	281.39	469.8	354.36	212.01
Contingent liabilities	1,783.97	1,129.49	946.29	699.23	335.18

<b>Key Financial Ratios</b>					
	<b>2019/03</b>	<b>2018/03</b>	<b>2017/03</b>	<b>2016/03</b>	<b>2015/03</b>
<b>Per Share</b>					
EPS	3.53	3.33	2.68	2.28	16.28
CEPS	4.86	4.47	3.71	3.31	24.41
Book Value	15.99	14.14	11.37	9.61	86.32
Dividend/Share	1.5	1.5	1.2	1	7.5
Operating Profit / Share	6.05	5.18	4.42	3.56	33.21
Net Operating Income / Share	59.93	55.59	43.88	35.9	290.76
Free Reserves / Share	14.69	12.79	10.01	8.09	69.28
<b>Profitability Ratios</b>					
OPM	10.09	9.32	10.08	9.91	11.42
GPM	7.86	7.27	7.73	7.06	8.63
NPM	5.83	5.94	6.05	6.29	5.51
RONW	21.12	21.84	21.24	20.57	19.92
<b>Liquidity ratios</b>					
Debt/Equity	0.41	0.34	0.49	0.77	0.48
Current Ratio	1.09	1.29	1.37	1.61	1.44
Quick Ratio	0.59	0.73	0.79	1.19	0.94
Interest Cover	10.46	23.55	15.2	15.36	7.53
<b>Turn Over Ratios</b>					
Sales/Total Assets	36.63	12.8	9.13	5.2	7.67
Sales/Fixed Assets	3.68	4.35	4.8	4.47	3.86
Sales/Current Assets	2.89	2.89	2.46	1.98	2.36

## FINDINGS & CONCLUSIONS

- Execution of lease deed and registration is in progress for 'leasehold land' at Utrakhand. Amounts pertaining to a portion of leasehold land at Hosur, sublet during the year, have been reclassified.
- A portion of buildings in Bhandara {estimated gross value Rs. 7.20 million (2010: Rs.7.20 million)} is on a land, title for which is yet to be transferred to the Company. Cost / Valuation of Buildings as at March 31, 2011 includes:
  - Rs.0.34 million (2010: Rs.0.34 million) being cost of shares in Housing Co-operative Society representing ownership rights in residential flats and furniture and fittings there at.
  - Rs.13.24 million (2010: Rs.13.24 million) representing cost of residential flats including undivided interest in land.
- Depreciation / amortisation / impairment for the year is disclosed in Schedules 2.3(C) and 2.4 to the Profit and Loss Account.
- Cost of additions and capital work-in-progress includes borrowing cost Rs. 73.18 million (2010: Rs. 29.83 million) and other expenses in the course of construction (2010: Rs. 2.25 million)
- Company raised US\$ 100 million (notes of US \$ 1000 each) during April 2007 by way of Foreign currency convertible notes (FCCN) bearing interest rate of 0.5% per annum. Note holders have an option to convert each note of US\$ 1000 into 1,470 shares of Re. 1 each at the prevailing conversion price of Rs.30. During the year, 6,468,000 (2010: 102,283,541) equity shares were allotted consequent to conversion of 4,400 (2010: 71,900) FCCN aggregating to US\$ 4.40 million (2010: US\$ 71.90 million).
- Cumulatively upto March 31, 2011, holders of FCCN aggregating to US\$ 99.00 million have exercised their option and were allotted 141,044,117 equity shares. The balance notes unless



previously converted, redeemed or repurchased and cancelled, will be redeemed on April 30, 2010 at 100% of their principal value.

- The Company has entered into operating lease arrangements with various parties for leasing out windmills. Kesoram cement Project Services Limited, an associate company, through its wind energy division, maintains these assets and has guaranteed the following minimum lease rentals:

*(Rs. Millions)*

**2011 -2010**

(a) Receivable within one year from the end of the year 77.00 55.00

(b) Receivable between one year and five years 365.00 255.00

(c) Receivable after five years 293.00 285.00

(d) Amount recognized during the year 77.50 36.60

In terms of the FCCN issue and on the basis of the legal opinion obtained in this regard, the note holders, who have exercised their option to convert the notes upto the record date for the dividend that may be declared for the year ended March 31, 2011, will be entitled to the said dividend. Accordingly, the Company has provided for the proposed dividend (including corporate dividend tax thereon) on the basis that all the FCCNs remaining outstanding as of March 31, 2010 would get converted into equity shares before the record date.

- The Company continued to improve its debt-equity structure. As at 31<sup>st</sup> March 2009, net debt (net of cash & bank balances) to equity ratio has declined to 0.06 from 0.07 in March

## **SUGGESTIONS**

- The Company has to take proper and sufficient care for the maintenance of adequate accounting records as required by various Statutes.
- Directors have to take overall responsibility for the Company's internal control system, which is designed to provide a reasonable assurance for safeguarding of assets, reliability of financial records and for preventing and detecting fraud and other irregularities.

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