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ijerst.editor@gmail.com

editor@ijerst.com

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Research Paper

FINANCIAL STATEMENT ANALYSIS AT KESORAM CEMENT LTD

CHENNURI MANISHA [1] MBA Student
Dr M Narasimha [2] ASSOCIATE PROFESSOR
[1,2]MASTER OF BUSINESS ADMINISTRATION
[1,2]Megha Institute of Engineering and Technology for Women, Sy. No. 7, Edulabad Road, Edulabad, Ghatkesar, Telangana.

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ABSTRACT

A **financial management** (or **financial report**) is a formal record of the financial activities of a business, person, or other entity. In British English—including United Kingdom company law—a financial statement is often referred to as an **account**, although the term financial statement is also used, particularly by accountants.

For a business enterprise, all the relevant financial information, presented in a structured manner and in a form easy to understand, are called the financial management. They typically include four basic financial management:

For large corporations, these management are often complex and may include an extensive set of notes to the financial management and management discussion and analysis. The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial management are considered an integral part of the financial management.

Purpose of financial management by business entities

"The objective of financial management is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions." Financial management should be understandable, relevant, reliable and comparable. Reported assets, liabilities and equity are directly related to an organization's financial position. Reported income and expenses are directly related to an organization's financial performance.

INTRODUCTION ABOUT FINANCE

Meaning of Financial Management

Financial Management means planning, organizing, directing and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise.

Financial management has a wide scope.

Anticipation: Financial management estimates the financial needs of the company. That is, it finds out how much finance is required by the company.

Acquisition: It collects finance for the company from different sources.

Allocation: It uses this collected finance to purchase fixed and current assets for the company.

Appropriation: It divides the company's profits among the shareholders, debenture holders, etc. It keeps a part of the profits as reserves.

Assessment: It also controls all the financial activities of the company. Financial management is the most important functional area of management. All other functional areas such as production management,

marketing management, personnel management, etc. depends on Financial management. Efficient financial management is required for survival, growth and success of the company or firm.

Scope/Elements

1. Investment decisions includes investment in fixed assets (called as capital budgeting). Investment in current assets are also a part of investment decisions called as working capital decisions.
2. Financial decisions - They relate to the raising of finance from various resources which will depend upon decision on type of source, period of financing, cost of financing and the returns thereby.

Dividend decision - The finance manager has to take decision with regards to the net profit distribution. Net profits are generally divided into two:

a. Dividend for shareholders- Dividend and the rate of it has to be decided.
b. Retained profits- Amount of retained profits has to be finalized which will depend upon expansion and diversification plans of the enterprise.

NEED FOR STUDY

- Need of financial management study to diagnose the information contain in financial statement. So as to judge the profitability and financial position of the firm.
- Financial analyst analyses the financial statements with various tools of analysis before commanding upon the financial health of the firm.
- Essential to bring out the history of financial trend.
- Significance and meaning of the financial statements.

Objectives of Financial Management

The financial management is generally concerned with procurement, allocation and control of financial resources of a concern. The objectives can be-

1. To ensure regular and adequate supply of funds to the concern in **KESORAM CEMENTS LIMITED**.
2. To ensure adequate returns to the shareholders this will depend upon the earning capacity, market price of the share, expectations of the shareholders in KESORAM.

RESEARCH METHODOLOGY

RESEARCH DESIGN

This is a systematic way to solve the research problem and it is important component for the study without which researches may not be able to obtain the format. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

MEANING OF RESEARCH DESIGN

The formidable problem that follows the task of defining the research problem is the preparation of design of the research project, popularly known as the research design, decision regarding what, where, when, how much, by what means concerning an inquiry of a research study constitute a research design. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

SOURCES OF DATA

Data we collected based on two sources.

- Primary data.

- Secondary data.

Primary data

The Primary data are those information‟s, which are collected afresh and for the first time, and thus happen to be original in character.

Secondary Data:

The Secondary data are those which have already been collected by some other agency and which have already been processed. The sources of Secondary data are Annual Reports, browsing Internet, through magazines.

1. It includes data gathered from the annual reports of **KESORAM CEMENTS LIMITED**.
2. Articles are collected from official website of **KESORAM CEMENTS LIMITED**.

LIMITATIONS OF FINANCIAL STATEMENT:

1. ONLY INTERIM REPORTS:

Only interim statements don‟t give a final picture of the concern. The data given in these statements is only approximate. The actual position can only be determined when the business is sold or liquidated.

2. DON'T GIVE EXTRA POSITION:

The financial statements are expressed in monetary values, so they appear to give final and accurate position. The values of fixed assets in the balance sheet neither represent the value for which fixed assets can be sold nor the amount which will be required to replace these assets.

LITERATURE REVIEW

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 in-house, 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, the bookkeeping function is a subset of the accounting system. A bookkeeper compiles the information that goes into the system. An accountant takes the data and analyzes it in ways that give you useful information about your business. They can advise you on the systems needed for your particular business and prepare accurate reports certified by their credentials. While software packages are readily available to meet almost any accounting need, having an accountant at least review your records can lend credibility to your business, especially when dealing with lending institutions and government agencies.

Setting up an accounting system, collecting bills, paying employees, suppliers, and taxes correctly and on time are all part of running a small business. And, unless accounting is your small business, it is often the bane of the small business owner. Setting up a system that does what you need with the minimum of maintenance can make running a small business not only more pleasant, but it can save you from problems down the road.

The basis for every accounting system is a good Bookkeeping system. What is the difference between that and an accounting system? Think of accounting as the big picture of how your business runs -- income, expenses, assets, liabilities -- an organized system for keeping track of how the money flows through your business, keeping track that it goes where it is supposed to go. A good bookkeeping system keeps track of the nuts and bolts -- the actual transactions that take place. The bookkeeping system provides the numbers for the accounting system. Both accounting and bookkeeping can be contracted out to external firms if you are not comfortable with managing them yourself.

INDUSTRY PROFILE & COMPANY PROFILE

The first half of the year 2012 of the cement industry witnessed a sluggish demand and almost the other half felt the cost pressure. In the states like Andhra Pradesh, the year ended on a discouraging note since the prices dipped further by Rs 40-45. However as per the Working Committee report on cement industry suggests that the Government of India plans to increase its investment in infrastructure to US $ 1 trillion in the Twelfth Five Year Plan (2012-17) as compared to US $ 514 billion expected to be spent on infrastructure development under the Eleventh Five Year Plan (2007-12). Further, infrastructure projects such as the dedicated freight corridors, upgraded and new airports and ports are expected to enhance the scale of economic activity, leading to a substantial increase in cement demand. Housing sector and road also provide significant opportunities. The cement demand is likely to be sensitive to the growth in these sectors and also the policy initiatives. Further, capacity addition in cement would continue to be preferably front loaded. It may be desirable to create some excess capacity rather than operate with shortages or supply bottlenecks. Keeping in view the factors responsible for the increasing demand for the sector and the assumptions mentioned below, four lines of projection in the demand for cement up to next 25 years (2027) have been given. The annual average growth in the demand, production and installed capacity of the cement during the period could be within the range of 10-11.75 per cent. The production of cement would be sensitive to the GDP growth and the growth of sectors which are major users of cement. A step up in demand of these sectors could provide some stimulus to the cement sector as well.

Assumptions

• Base line growth from 2014-15 is kept at assumed GDP growth, or an elasticity of 1.0.

• The growth is expected to increase by 1 per cent above the base line in scenario 2 assuming NH and SH to be initially covered.

• In scenario 3, assuming a further increase in growth by 0.5 per cent and in scenario 4 growth is scaled up further by 0.25 per cent.

• Base Growth kept a little lower than GDP growth in first three years because of pickup in demand may take some time.

• With all the three expectations being met, growth improves to 10.75 per cent or with an assumed elasticity of roughly 1.2, as against observed elasticity of 1.07 during 12th Plan and further to 11.75 per cent in the next 10 years. Elasticity tapers off to 1.175.

12 The Task Force for the 11th Plan for the Cement sector also mentioned that the concrete roads, besides providing an excellent surface, enjoy a lower life cycle cost. In the current scenario, however,

concrete roads enjoy an initial cost advantage as well.

COMPANY PROFILE

Kesoram Cement Industry is one of the leading manufactures of cement in India. It is a day process cement Plant. The plant capacity is 8.26 lakh tones per annum It is located at Basanthnagar in Karimnagar district of Andhra Pradesh. Basanthnagar is 8 km away from the Ramagundram Railway station, linking Madras to New Delhi. The Chairman of the Company is syt. B.K.Birla,

HISTORY :

The first unit at Basanthnagar with a capacity of 2.3 lakh tones per annum incorporating humble suspension preheated system was commissioner during the year 1969. The second unit was setup in year 1971 with a capacity of 2.1 lakh tones per annum went on stream in the year 1978. The coal for this company is being supplied from Singereni Colleries and the power is obtained from APSEB. The power demand for the factory is about 21 MW. Kesoram has got 2 DG sets of 4 MW each installed in the year 1987.

Kesoram Cement has setup a 15 KW captor power plant to facilitate for uninterrupted power supply for manufacturing of cement at 24th august 1997 per hour 12 mw, actual power is 15 mw.

The Company was incorporated on 18th October, 1919 under the Indian Companies Act, 1913, in the name and style of Kesoram Cotton Mills Ltd. It had a Textile Mill at 42, Garden Reach Road, Calcutta 700 024. The name of the Company was changed to Kesoram Industries & Cotton Mills Ltd. on 30th August, 1961 and the same was further changed to Kesoram Industries Limited on 9th July, 1986. The said Textile Mill at Garden Reach Road was eventually demerged into a separate company.

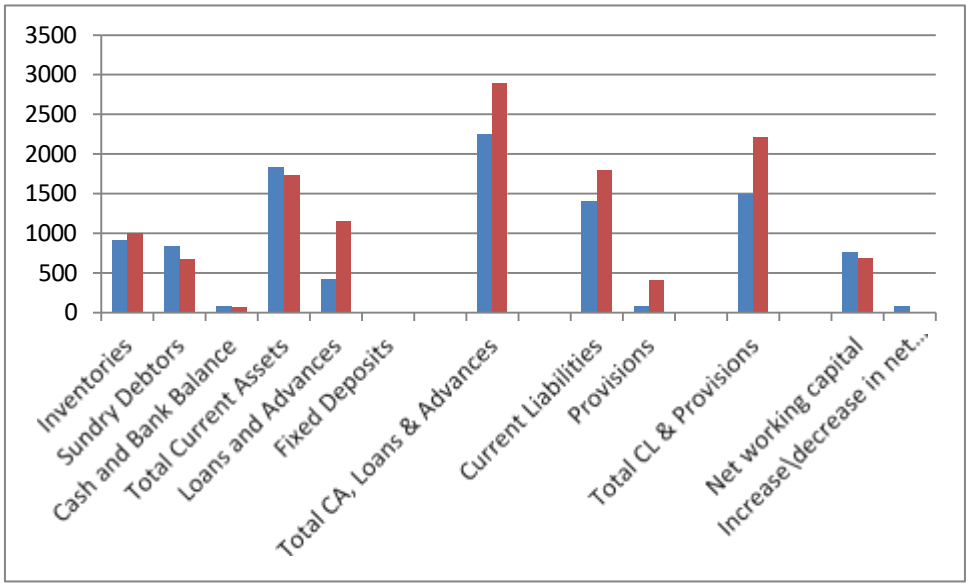
The First Plant for manufacturing of rayon yarn was established at Tribeni, District Hooghly, West Bengal and the same was commissioned in December, 1959 and the second plant was commissioned in the year 1962 enabling it to manufacture 4,635 metric tons per annum (mtpa) of rayon yarn. This Unit has 6,500 metric tons per annum (mtpa) capacity as on 31.3.20013.

DATA ANALYSES AND INTERPRETATION

1.1 STATEMENT OF CHANGES IN WORKING CAPITAL2022-23

Particulars	Mar '23	Mar '22
Inventories	912.75	995.16
Sundry Debtors	835.67	673.58
Cash and Bank Balance	83.66	69.59
Total Current Assets	1,832.08	1,738.33
Loans and Advances	424.20	1,154.09
Fixed Deposits	0.00	1.07
Total CA, Loans & Advances	2256.28	2,893.49

Current Liabilities	1,408.72	1,800.10
Provisions	79.75	407.26
Total CL & Provisions	1,488.47	2,207.36
Net working capital	**767.81**	**686.13**
Increase\decrease in net working capital	**81.68**	



Interpretation:

The networking capital of Kesoram has been increased to 81.68 the financial position i.e. the performance of kesoram has increased and the current assets defects its current liability.

FINDNGS

1. I found that every year the sales are increases in increased manner. It shows good sign for the organization. It fluctuates only one year due to competition and heavy expenditure in fixed assets.
2. The gross profit was decreased every year. This was happened due to increasing of cost of goods sold every year
3. In the year 2023, they spend more money towards raw material sealing and distribution transportation and administration expenses and debtors also increased. The shows results in reduction of operating profit in 2023.
4. On overall ever year cash & bank balance were increased fixed deposits receipts are

decreased inventories on average are in good position.

5. In the year 2022 they minimized the exp .of stores maintenance. But other expensed like packing materials and transportation charges increased rapidly

CONCLUSION

The financial position of Kesoram is quite comfortable with a judicious mix of debt and equity. The overall assessment of financial statement signifies efficient utilization of the investments, loans and advances. The profitability of the company appears to be impressive, as judged by increase in reserves and surplus.

The management discussions and analysis by Director‟s report and opinions expressed by Auditor‟s report through financial statements is true and fair view in accordance with the provisions of the companies Acts, and Accounting standards.

The overall financial position of the company appears to be more than satisfactory.

SUGGESTIONS

- The company should provide notes to explain items not tallying with the profit and loss and balance sheet in the Annual report.
- Instead of disclosing the combined flows of debtors and loans advances as decrease/(increase) in trade and other receivables, their separate disclosure will be more meaningful.
- Globalization of economies and the requirement of shares from investors in capital market, diverse and demanding audience to the company, need a clear and in-depth in information about the company‟s financial position in Annual report.
- Comparison of basic and diluted EPS to be included in Annual report to predict the EPS sustainable in future.

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