



Research

A STUDY ON RATIO ANALYSIS

(WITH SPECIAL REFERENCE TO DALMIA CEMENT PVT LTD.)

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ABSTRACT

The Study analyses the financial performance of Dalmia Cement private limited using Ratio Analysis. Key liquidity, Profitability, Solvency and efficiency ratios are evaluated to assess the company's financial health, Operational efficiency and stability. It Involves the calculation on interpretation of various financial ratios derived from the balance sheet, Income statement and cash flow statement.

The Ratio analysis enables stake holders such as investors, Creditors, Managers and Analysts to make informed decisions. It helps in identifying strengths and weaknesses, measuring financial stability and analyzing trends over a period of time.

KEYWORDS: Liquidity Ratio, Profitability, Solvency, Activity, Turnover Ratio, Financial Statements, Working Capital

INTRODUCTION OF RATIO ANALYSIS

Ratio analysis is a financial analysis technique used to evaluate the financial performance and position of a business by establishing relationships between various items in the financial statements. It involves the calculation of ratios using data from the balance sheet, Income statements and cash flow statements. These ratios help in understanding the Liquidity, Profitability. Solvency and Operational efficiency of an organization.

By comparing ratio over different periods or with industry standards it becomes easier to identify trends, measure performance and evaluate the overall financial health of the enterprise.

KEY ASPECTS OF RATIO ANALYSIS

Ratio analysis is a financial tool used to evaluate a company's performance by analyzing relationships between financial statements like balance sheets and Profit and Loss accounts

The key Aspects are :

LIQUIDITY RATIO

These ratios measures the Firms ability to make the current obligations. It shows whether the firm can meet its current liabilities.

- Current Ratio
- Quick Ratio
- Cash Ratio

PROFITABILITY RATIO

It indicates the earning capacity of the business. It shows how efficiently the company generates profits.

- Gross Profit Ratio
- Net profit Ratio
- Operating Profit ratio

SOLVENCY (LEVERAGE) RATIO

It measures long term financial stability. It shows the company's ability to meet long term depths.

- Debt-Equity Ratio
- Interest Coverage Ratio

ACTIVITY RATIO

It measures how effectively assets are used. It indicates operational efficiency.

- Stock Turnover Ratio
- Debtors Turnover Ratio
- Creditors Turnover Ratio

MEANING OF RATIO ANALYSIS

Ratio analysis is a method of analyzing a company's financial statements by calculating and interpreting different financial ratios. It helps in understanding the financial performance, Position and Efficiency of a business.

In simple words Ratio Analysis means comparing one financial figure with another (like profit

with sales or assets with liabilities) to evaluate how well a company is performing.

Purpose :

- To measure financial performance
- To compare performance over different years
- To compare one company with another
- To help in decision making

IMPORTANCE OF RATIO ANALYSIS

Ratio analysis is one of the most important tools of financial analysis. It is used to examine and interpret the financial statements of a company by establishing relationships between different financial items such as assets, liabilities, income and expenses. These relationships are expressed in the form of ratios. Ratio analysis helps management, Investors, Creditors and other stakeholders to understand the financial position and performance of a business in a clear and systematic manner.

The importance of Ratio Analysis is explained below in detail:

1. Helps in Measuring Financial Performance

Ratio analysis helps in evaluating the overall performance of a business. By calculating different types of ratios such as Profitability Ratios, Liquidity Ratios and Efficiency Ratios. It becomes easy to judge whether the company is performing well or not. It provides a clear picture of Operational Efficiency and financial stability.

2. Assists in Decision Making

One of the major importance of Ratio Analysis is that it supports Decision-Making. Management uses ratios to take decision regarding pricing, expansion, cost control and investment. Investors use ratios to decide whether to invest in the company and creditors use them to decide whether to provide loans.

3. Evaluates Liquidity Position

Liquidity ratios such as Current Ratio and Quick Ratio help to determine the company's ability to meet its short-term obligations. If a company does not maintain proper liquidity, it may face difficulty in paying its debts. Ratio Analysis helps in identifying such problems in advance.

4. Determines Profitability

Profitability is essential for the survival and growth of a business. Profitability ratios like Gross Profit Ratio, Net Profit Ratio and Return On Investment indicate the earning capacity of the company. These ratios help in understanding whether the business is generating sufficient profit from its operations.

5. Assess Solvency and Long-Term Stability

Solvency ratios measure the company's ability to meet its long-term financial obligations.

These ratios show the relationships between debt and equity. A company with too much debt may face financial risk. Ratio analysis helps in identifying the long-term financial soundness of the business.

6. Facilitates Comparison

Ratio analysis makes comparison easier. It allows comparison:

- Between different years of the same company (intra-firm comparison)
- Between different companies in the same industry (inter-firm comparison)

7. Identifies Strengths and Weaknesses

Through ratio analysis management can identify strong areas where the company is performing well and weak areas that requires improvement. This helps in taking corrective actions and improving performance.

8. Helps in Planning and Forecasting

Past and Present ratios provide a base for future planning. They help in preparing budgets and financial forecasts. Management can set targets based on previous performance.

9. Improves Financial Control

Ratio analysis helps in controlling costs and improving operational efficiency. By regularly analysing ratios management can monitor financial activities and maintain control over expenses.

10. Builds Confidence Among Stakeholders

Good financial ratios create trust among investors, creditors and other stakeholders. It enhances the reputation of the company and makes it easier to raise funds from the market.

REVIEW OF LITERATURE

1. Gupta(2024)

Gupta examined the impact of ratio analysis on financial planning and control systems. The study explained that ratios help in performance measurement, cost control and profit planning. By analyzing past financial data companies can predict future performance and reduce financial risks. Gupta concluded that ratio analysis is an essential tool for maintaining operational objectives.

2. Mehta and Singh(2024)

Mehta and Singh studied the importance of ratio analysis in capital-intensive industries, especially manufacturing sectors. Their research emphasized trend analysis and inter-firm comparison to evaluate financial soundness. The study stated that ratio analysis assists companies in planning capital investments, managing working and ensuring long-term sustainability. They concluded that financial ratio evaluation improves budgeting, forecasting and strategic growth decisions.

3. Sharma(2023)

Sharma analysed the role of profitability and leverage ratios in measuring Managerial Efficiency and Financial Stability. The study explained that profitability ratios such as Net Profit Ratio and Return on Investment reflect operational performance, while leverage ratios like Debt-Equity Ratio indicate risk. The research found that proper analysis of these ratios helps management control costs, improve returns and maintain balanced capital structure. Sharma concluded that ratio analysis plays a vital role in strengthening financial management practices.

4. Reddy and Rao(2022)

Reddy and Rao focussed on the comparative analysis of financial performance using ratio analysis. Their research emphasized that comparing financial ratios across different years helps in identifying performance trends, Strengths and Weaknesses. The study particularly examined manufacturing firms and highlighted how trend analysis improves strategic planning. They concluded that ratio analysis supports better decision making by showing growth patterns and operational efficiency over time.

5. Kumar(2021)

Kumar stated that ratio analysis is an important tool to measure a company's liquidity, Profitability and Solvency. The study highlighted that financial ratios help stakeholders evaluate overall financial performance and stability of a firm. Liquidity ratio helps in understanding the firms ability to meet short term obligation while profitability ratio measure ending capacity. Solvency ratio indicates long term financial stability. Kumar concluded that ratio analysis helps investors, Creditors and Management in making informed financial decisions and assessing the overall health of the organization.

NEED FOR THE STUDY

The main purpose of the study is to analyse the ratio analysis performance of Dalmia Cement limited. To evaluate the profitability of the company. To measure operational efficiency in cement production. To compare performance with previous year and competitors. To judge the impact of capacity expansion and investments. To help Management, Investors and Creditors in decision making.

OBJECTIVES FOR THE STUDY

- To analyze the liquidity position of the company.
- To evaluate the profitability performance.
- To assess operational efficiency.
- To study the solvency and financial stability.
- To examine the capital structure.
- To compare financial performance over year.

RESEARCH METHODOLOGY

The study adopted a Analytical research design. It aims to analyse the financial performance of Dalmia Cement Private Limited Company through various financial ratios and to interpret the company's liquidity, Profitability, Solvency and Efficiency positions.

RESEARCH DESIGN

Analytical and Descriptive research design is commonly used .It focuses on analysing financial statements and interpreting financial performance .

SOURCES OF DATA

PRIMARY DATA

The Data which is collected through the company members.

SECONDARY DATA

The Data (or) information were gathered from the already existing data.

The secondary data collected from company financial report such as:

- Annual Report of Dalmia Company.
- Published financial statements.
- Company website
- Relevant online database

TOOLS AND TECHNIQUES USED:

- Liquidity ratio
- Profitability ratio
- Leverage ratio
- Activity ratio

DATA ANALYSIS

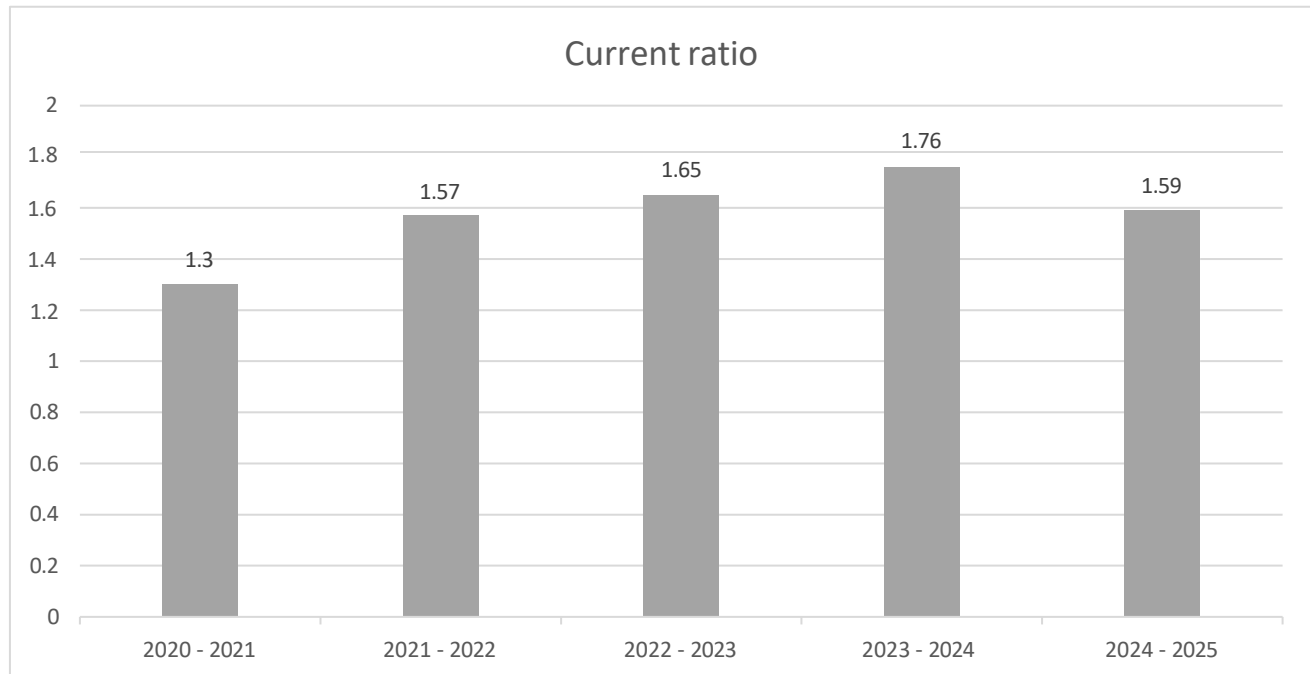
The data relating to the performance of the Dalmia Bharat Cement based on the financial ratio data and performance indicators. This combines liquidity, profitability, solvency ratios. .

1.LIQUIDITY RATIO

1.1 CURRENT RATIO (OVER 5 YEARS)

Years	Current Assets	Current Liabilities	Current ratio
2020 - 2021	6483.00	4956.00	1.30

2021 - 2022	7512.00	4776.00	1.57
2022 - 2023	7350.00	4460.00	1.65
2023 - 2024	7856.00	4474.00	1.76
2024 - 2025	8329.00	5223.00	1.59



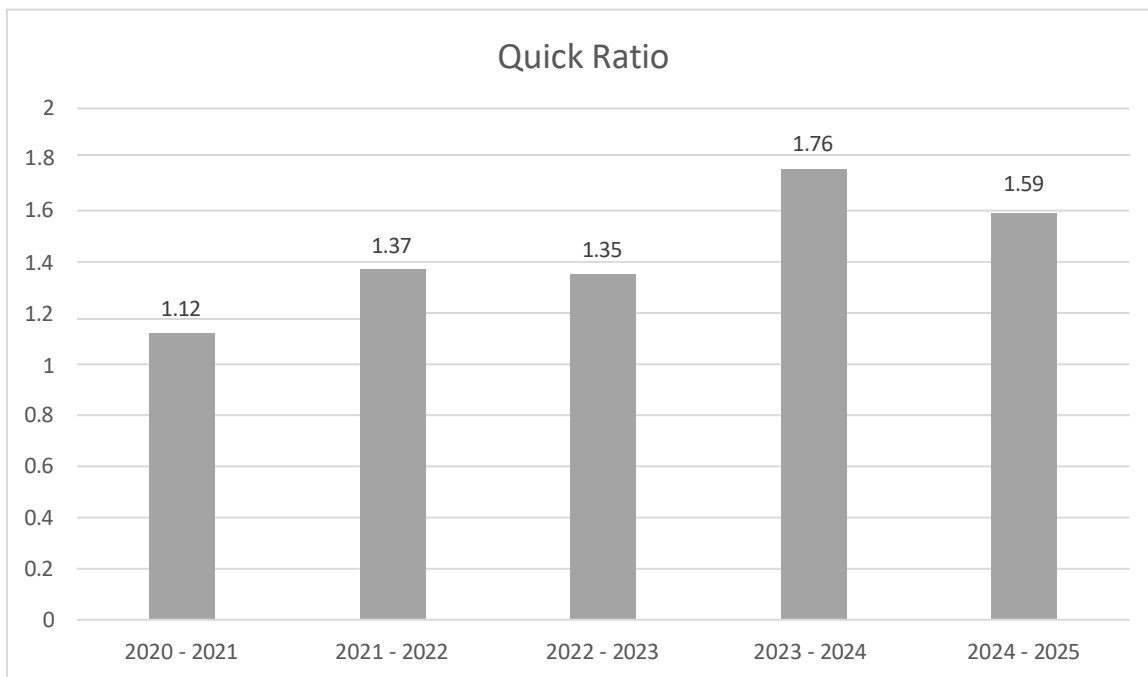
INTERPRETATION :

We Interpret that in between 2020-2021 and 2024-2025, The company's current assets grew from 6483 to 8329. While current liabilities saw a controlled increase from 4956 to 5223.

The asset growth improved the current ratio (from 1.3 to 1.59). The current ratio 2021 increase 1.3, 2022 1.57, 2023 1.65, 2024 1.76, 2025 decreases 1.59. The asset growth improved the current ratio.

1.2 QUICK RATIO

Years	Quick Assets	Quick Liabilities	Quick Ratio
2020 - 2021	5559.00	4956.00	1.12
2021 - 2022	6567.00	4776.00	1.37
2022 - 2023	6034.00	4460.00	1.35
2023 - 2024	7856.00	4474.00	1.76
2024 - 2025	8329.00	5223.00	1.59



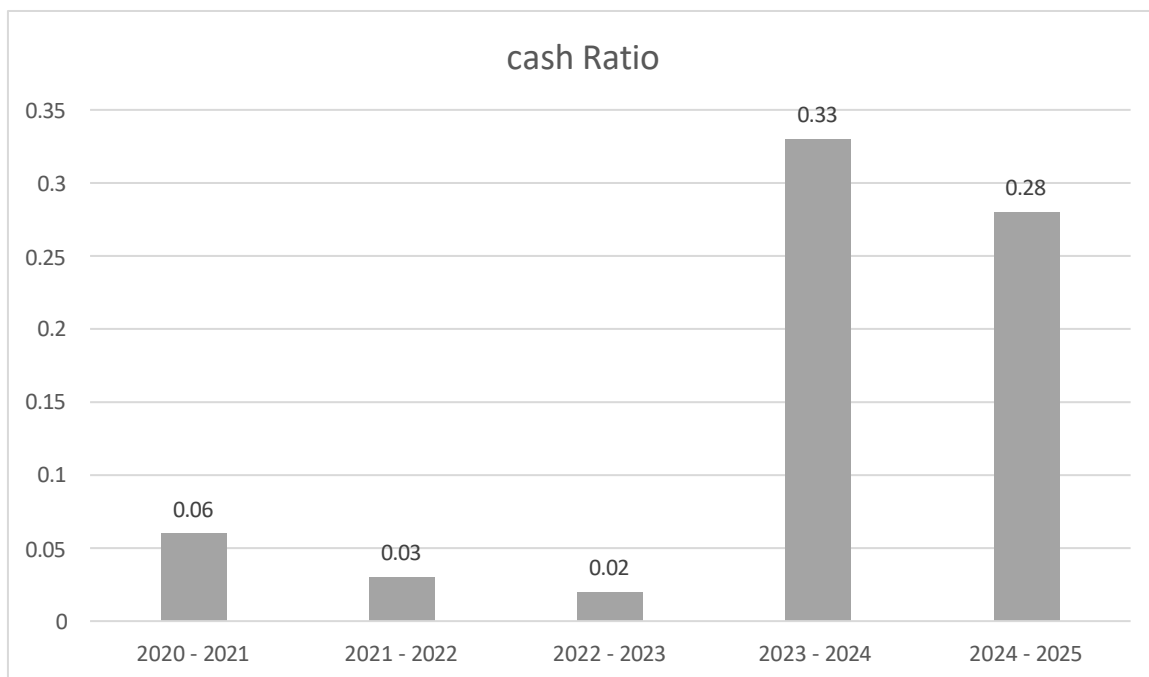
INTERPRETATION :

We Interpret that in between 2020-2021 and 2024-2025, The company's quick assets grew from 5559 to 8329. While quick liabilities saw a controlled increase from 4956 to 5223.

The asset growth improved the quick ratio (from 1.12 to 1.59). The quick ratio is 2021 is 1.12, 2021 to 2022 is 1.37, 2022 - 2023 is 1.35, 2023-2024 is 1.76 and 2024-2025 is 1.59

1.3 CASH RATIO

Years	Cash In Hand + Cash At Bank	Current Liabilities	Cash Ratio
2020 - 2021	311.00	4956.00	0.06
2021 - 2022	160.00	4776.00	0.03
2022 - 2023	8.00	4460.00	0.02
2023 - 2024	1503.00	4474.00	0.33
2024 - 2025	1502.00	5223.00	0.28



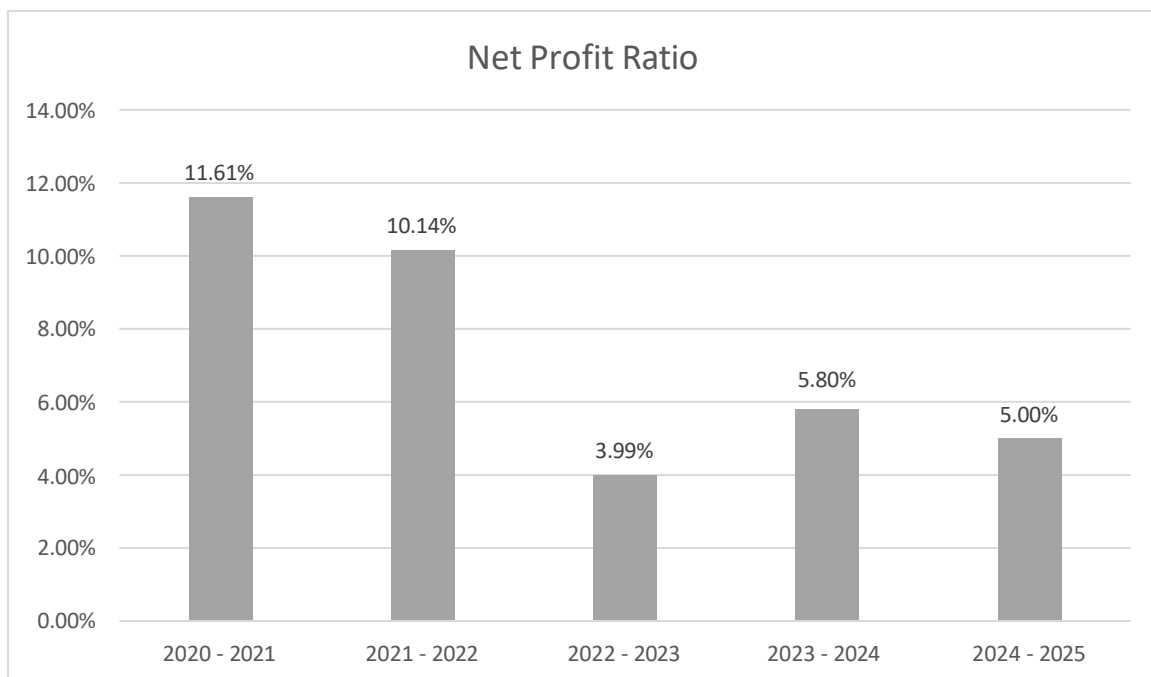
INTERPRETATION :

We interpret that in between 2020-2021 and 2024-2025, The company's Cash In Hand & Bank grew from 311 to 1502. While current liabilities saw a controlled increase from 4956 to 5223. The asset growth improved the cash ratio (from 0.06 to 0.28). The cash ratio is 2021 0.06, 2022 0.03, 2023 0.02, 2024 0.33, 2025 0.28.

2. PROFITABILITY RATIO

2.1 Net Profit Ratio

Years	Net Profit	Net Sales	Net Ratio
2020 - 2021	1243	10704	11.61 %
2021 - 2022	1160	11441	10.14 %
2022 - 2023	529	13237	3.99 %
2023 - 2024	853	14691	5.80 %
2024 - 2025	699	13980	5.00 %



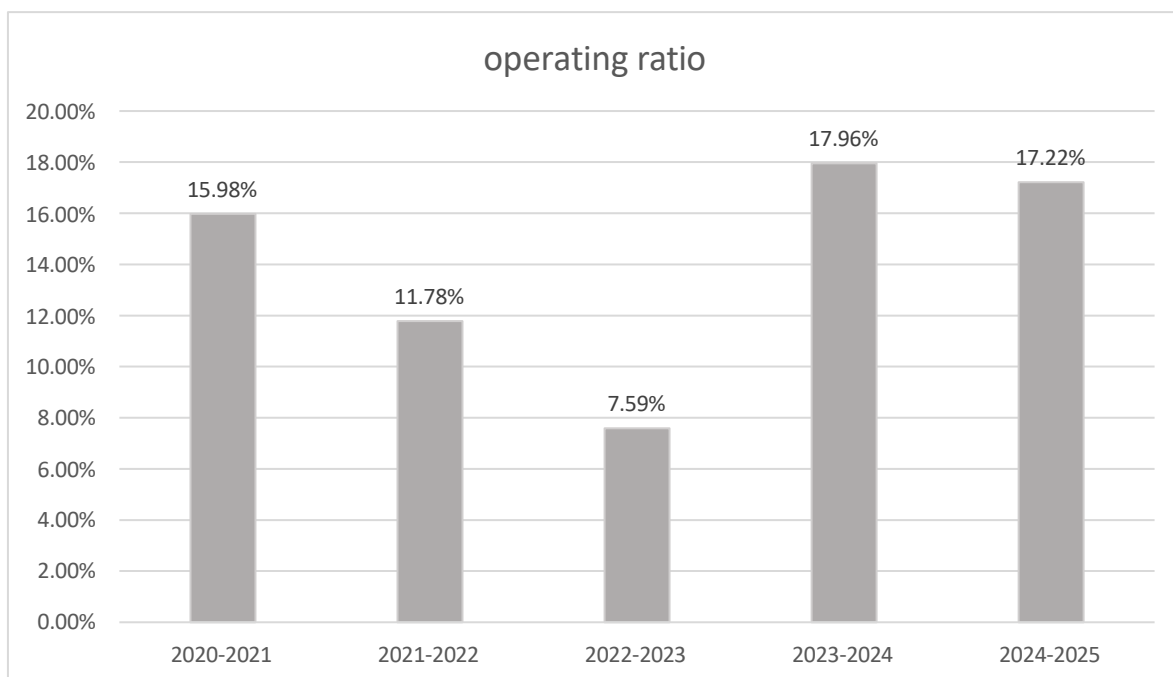
INTERPRETATION :

We Interpret that that in Between 2020-2021 and 2024-2025, The company's Net profit decreased from 1243 to 699. While Net Sales saw a controlled increase from 10704 to 13980.

The Net profit decreased (from 11.61% to 5.00%) The profit ratio 2021 is 11.61, 2022 is 10.14, 2023 is 3.99, 2024 is 5.80 and 2025 is 5.0

2.2 Operating Profit Ratio

Years	Operating Ratio	Net Sales	Operating Ratio
2020 - 2021	1711	10704	15.98 %
2021 - 2022	1348	11441	11.78 %
2022 - 2023	1005	13237	7.59 %
2023 - 2024	2639	14691	17.96 %
2024 - 2025	2407	13980	17.22 %



INTERPRETATION:

We Interpret that that in Between 2020-2021 and 2024-2025, The company's Net profit decreased from 1243 to 699. While Net Sales saw a controlled increase from 10704 to 13980.

The Net profit decreased (from 11.61% to 5.00%) The profit ratio 2021 is 11.61, 2022 is 10.14, 2023 is 3.99, 2024 is 5.80 and 2025 is 5.00

LIMITATIONS

1. The study is only pertaining to DALMIA CEMENT BHARAT LIMITED, CHINNA KOMERLA
2. The study is based on 5 years financial information.
3. The study period also limited I.e. , 45 Days.
4. The study is dependence on Secondary data. The External factory is not considered.

FINDINGS

- The current ratio increases over the period of (2021–2025), but in the middle of the year the company has 1.16 of the current ratio. From this analysis we can say that the company growth was increasing slowly.
- Quick ratio have a slight up and down in the 5 years of accounting period but there was a huge growth in the year 2023–2024 with 1.76 of the ratio.
- The net profit and operating profit have been increasing. The net profit and net sale is high. It shows that the financial growth. It means that the company is getting profit more than it handled. It indicates the company is maintaining its liquidity position.
- The company is maintaining its funds from different sources. Cash ratio and operating ratio clearly says that the company have the ability to cover its short-term obligations.
- The solvency position of the company is perfectly maintaining with their internal and external sources of the firm. By observing the solvency of the company I came to know the company doesn't have any losses. They are maintaining standards with their stake and shareholders.

SUGGESTIONS

- As per my analysis, I suggested that the company should remain more current assets than their current liabilities in order to reduce the rate of risk.
- They have to reduce the dependency on debt and result the less risk.

- I suggest to increase the investments in several assets and reduce their expenses in order to increase their profit value.
- By this study, I suggest that the company should maintain optimum level of cash and bank balance and they should invest cash in marketable securities.
- The firm should concentrate on increasing its overall performance

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CONCLUSION

Overall, the financial health of Dalmia Cement private limited shows a very mixed picture. The positive side is the company has done a great job building up its cash reserves to cover short-term liabilities. However, their long-term profitability is a serious concern. Even though they are selling more products every year, rising costs mean they are actually making less money. Going

forward, the company is safe from immediate financial trouble, but they need to focus on reducing costs and fixing their shrinking profit margins to stay successful.