A STUDY ON RATIO ANALYSIS AT ZUARI CEMENTS PVT LTD, HYDERABAD.

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ABSTRACT

This study analyzes the financial performance of Zuari Cements from FY 2020 to FY 2024 using key financial ratios, including liquidity, profitability, per-share, and valuation metrics. The findings highlight fluctuating liquidity, uneven profitability, and valuation challenges, indicating a need for stronger working capital and financial strategies. Based on secondary data, the study acknowledges limitations such as the focus on a single firm and the exclusion of non-financial influences. Ten strategic recommendations are proposed for finance managers, including better receivables/payables management and ESG integration, to improve efficiency and market trust. The study underscores the importance of agile cash flow practices and teamwork across departments. Future research could involve peer comparisons and inclusion of economic and non-financial factors to deepen industry insights.

Key Words: Profitability Ratios, Pershare Metrics,Working Capital Management,Cash Flow Management.

I. INTRODUCTION

Financial analysis plays a crucial role in assessing a company's fiscal health, especially in capital-intensive industries like cement manufacturing. Among its techniques, ratio analysis stands out for transforming complex financial data into clear, actionable insights. It evaluates key dimensions such as profitability, liquidity, efficiency, and solvency, helping both internal management and external stakeholders make informed decisions. In industries with high fixed costs and market volatility, ratio analysis is essential for understanding how effectively a company manages its resources and navigates challenges. It also highlights performance trends, compares benchmarks, and diagnoses potential financial issues. By linking different financial functions, it reveals strategic interdependencies, aiding decision-making and transparent communication. Moreover, ratio analysis connects theory with real-world practice, supporting both academic and corporate evaluations. Ultimately, its consistent use strengthens internal controls, fosters accountability, and helps organizations achieve long-term financial sustainability.

II. REVIEW OF LITERATURE

1. **Byrka-Kita (2024)** in their study had investigated the relationship between CEO pay ratio and financial performance among Polish public companies. Using a comprehensive sample of firms over three fiscal years, the author conducted correlation and regression analyses to test whether higher disparities between CEO compensation and median employee pay correlated with profitability metrics such as return on equity and net profit margin. The findings indicated a negative association, suggesting that excessively high CEO pay ratios eroded firm performance, potentially by undermining employee morale and operational cohesion. The study highlighted the governance importance of aligning executive compensation with organizational outcomes.
2. **Amin (2023)** in their study had investigated the effect of a golden ratio–based capital structure on firms' financial performance by formulating an optimal debt-equity mix approximating 1.618:1. Drawing on a cross-section of publicly listed

companies, the research applied regression analysis to test whether adherence to the golden ratio framework yielded superior profitability, risk mitigation, and market valuation. The study revealed that firms with capital structures closer to the golden ratio experienced significantly higher return on equity, lower cost of capital, and more stable earnings per share. These findings suggested that the golden ratio offers a practical heuristic for capital structure decisions in corporate finance.

3. **Isayas (2022)** in their study had investigated the determinants of banks' profitability using empirical evidence from Ethiopian commercial banks. Utilizing panel regression on data spanning seven years, the author tested how capital adequacy ratios, liquidity ratios, and operational costs affected return on assets and net interest margin. Results revealed that higher capital adequacy and liquidity ratios positively influenced profitability, whereas elevated cost-to-income ratios hampered performance. The study provided policy implications for financial regulators and bank managers in Ethiopia, emphasizing the optimization of capital and liquidity structures for sustainable banking growth.

NEED & IMPORTANCE OF THE STUDY

This study was undertaken to thoroughly assess the financial position and performance of Zuari Cements using established ratio analysis. Given the cement industry's high fixed costs and competitive pressures, it was essential to evaluate the company's fiscal discipline and operational efficiency. The analysis aimed to support managerial decision-making by offering practical financial insights grounded in real data, bridging the gap between finance theory and corporate practice. Additionally, the study sought to contribute to academic understanding and provide a valuable reference for improving managerial accountability and future resource planning.

SCOPE OF THE STUDY

The scope of the study was confined to the financial analysis of Zuari Cements through the application of ratio analysis techniques over a defined financial period. The study was limited to the use of secondary data derived from audited financial statements of the company and did not encompass qualitative aspects such as managerial perceptions or employee insights. The research focused on assessing liquidity, profitability, solvency, and efficiencydimensions of financial performance, and the findings were restricted to the context and timeframe under consideration.

OBJECTIVES OF THE STUDY

1. To evaluate the liquidity position of Zuari Cements.
2. To assess the profitability of Zuari Cements.
3. To assess the financial performance of Zuari Cements using ratios.
4. To know the impact of factors on profitability of Zuari Cements.
5. To give suggestions for finance managers of Zuari Cements.

III. DATA SOURCES AND METHODOLOGY

METHODOLOGY

The research methodology for this study was structured to provide an objective and quantitative evaluation of Zuari Cements' financial performance through ratio analysis. It relied solely on secondary data drawn from the company's audited annual reports over the past five financial years. Employing a descriptive and analytical research design, the study used tools like MS-Excel and SPSS for statistical analysis and graphical representation. Descriptive statistics summarized the financial ratios, while correlation and regression analyses helped explore relationships among financial variables. As a non-experimental, data-driven study, it focused on historical financial trends to derive insights into the

company's fiscal health and profitability without any primary data collection.

DATA SOURCES

Primary Data:

In this study, primary data in the traditional sense was not collected through surveys or direct interaction. Instead, key financial figures such as net profit, total assets, liabilities, revenues, and expenses were obtained directly from the audited financial statements of the company. These figures formed the core data used for calculating financial ratios over five financial years.

Secondary Data:

The study primarily utilized secondary data, including audited financial reports of Zuari Cements, journal articles, finance textbooks, credible online databases, and the company's official website. These sources offered essential financial information and expert perspectives needed for a comprehensive ratio analysis and industry comparison.

LIMITATIONS OF THE STUDY

1. Analysis relies solely on published financial statements and does not account for off-balance-sheet items.
2. Ratio analysis considers past performance and may not predict future trends under changing market conditions.
3. The five-year period may be insufficient to capture longer-term cyclical patterns in the cement industry.
4. Macroeconomic factors such as energy prices and regulatory changes were not incorporated.
5. Non-financial metrics (e.g., corporate governance, environmental impact) were excluded.
6. The study focuses on a single firm, limiting generalizability to other industry players.

IV. DATA ANALYSIS & INTERPRETATION

1. Current ratio:

The current ratio measures a company's ability to pay its short-term liabilities with its short-term assets**.**

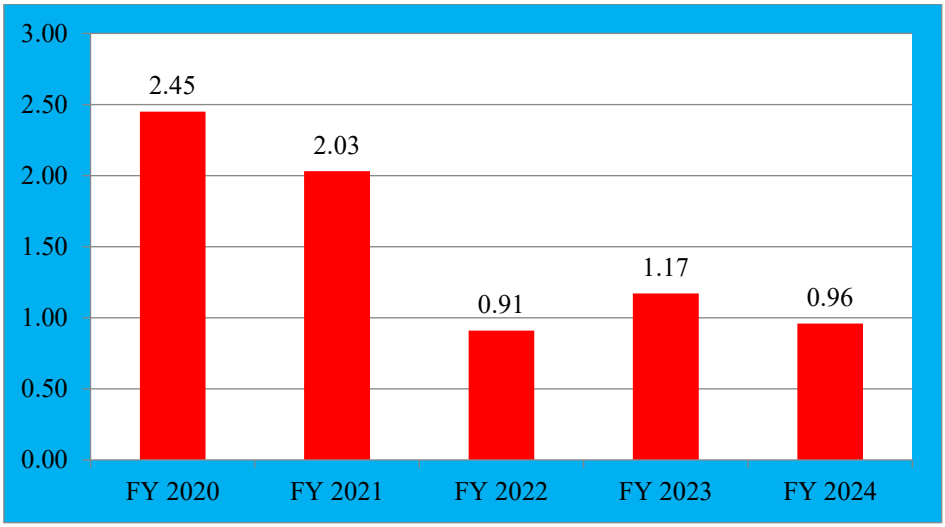
Formula:

Current Ratio	Current Assets / Current Liabilities

Table 2: Current ratio

FY 2020-21	2.45
FY 2021-22	2.03
FY 2022-23	0.91
FY 2023-24	1.17
FY 2024-25	0.96

Figure 3: Current ratio



Interpretation

The current ratio declined from a comfortable 2.45 × in FY 2020 to 2.03 × in FY 2021, then fell below the critical 1:1 threshold at 0.91 × in FY 2022, signaling potential short-term liquidity stress. A slight recovery to 1.17 × in FY 2023 offered some relief, but the ratio slipped again to 0.96 × in FY 2024. These movements reflect narrowing liquidity cushions and underscore the necessity for enhanced working-capital controls to ensure that current obligations can consistently be met.

2. Quick Ratio:

The **quick ratio** assesses a company's ability to meet short-term obligations using its most liquid assets, excluding inventory.

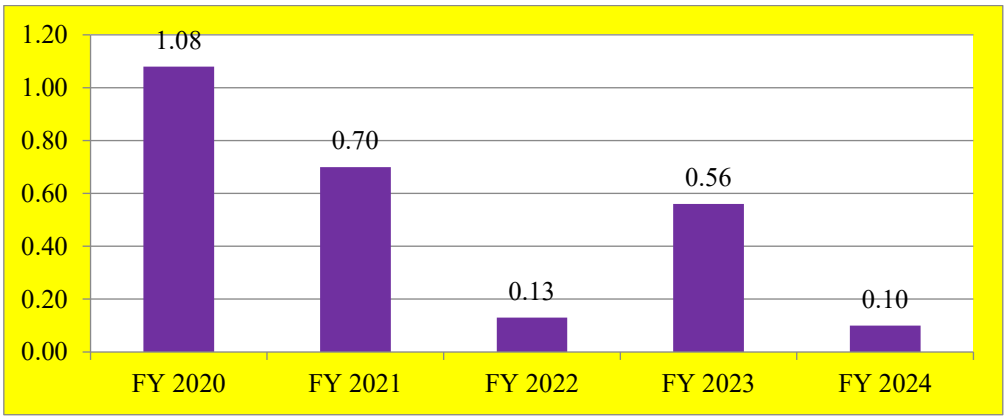
Formula

Quick Ratio	(Current Assets – Inventory) / Current Liabilities

Table 3: Quick ratio

FY 2020-21	1.08
FY 2021-22	0.70
FY 2022-23	0.13
FY 2023-24	0.56
FY 2024-25	0.10

Figure 4: Quick ratio



Interpretation

The quick ratio followed a similar downward trajectory, decreasing from 1.08 × in FY 2020 to 0.70 × in FY 2021, then plunging to a critically low 0.13 × in FY 2022. A partial recovery to 0.56 × in FY 2023 was insufficient to restore safe liquidity levels, and the ratio further contracted to 0.10 × in

FY 2024. The near depletion of liquid assets relative to current liabilities highlights acute reliance on inventory to fund operations and points to heightened liquidity risk.

3. Net profit per share:

Net Profit per Share indicates the profitability earned on each outstanding share of common stock.

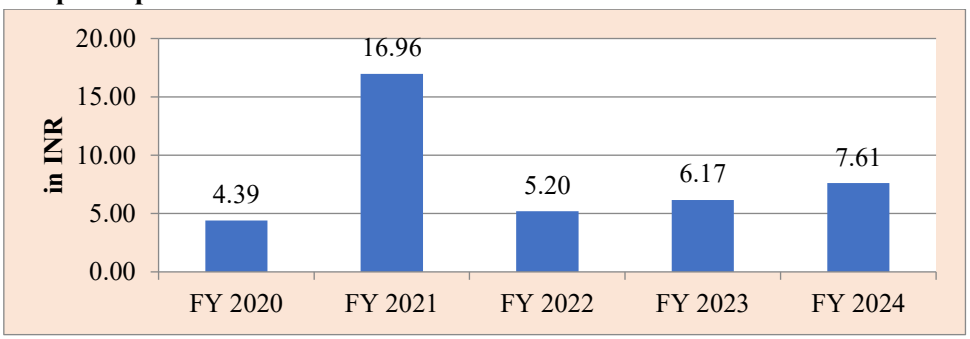
Formula:

Net Profit per Share	Net Profit After Tax / Number of Equity Shares

Table 4: Net profit per share

Year	in INR
FY 2020-21	4.39
FY 2021-22	16.96
FY 2022-23	5.20
FY 2023-24	6.17
FY 2024-25	7.61

Figure 5: Net profit per share



Interpretation

The trajectory of net profit per share for Zuari Cements exhibits pronounced volatility, beginning with a modest ₹4.39 in FY 2020 before surging nearly fourfold to ₹16.96 in FY 2021. This spike likely reflects an extraordinary windfall or one-off gain during that year. However, the ratio contracted sharply to ₹5.20 in FY 2022, indicating that the elevated FY 2021 figure was not sustainable. Thereafter, the ratio recovered gradually to ₹6.17 in FY 2023 and further to ₹7.61 in FY 2024, suggesting a stabilization phase wherein core profitability strengthened but remained well below the FY 2021 peak. This pattern highlights episodic earnings events followed by a return to more normalized profit levels.

4. Cash earning per share:

Cash Earnings Per Share (Cash EPS) shows the cash flow generated per share, focusing on actual cash earnings rather than accounting profit.

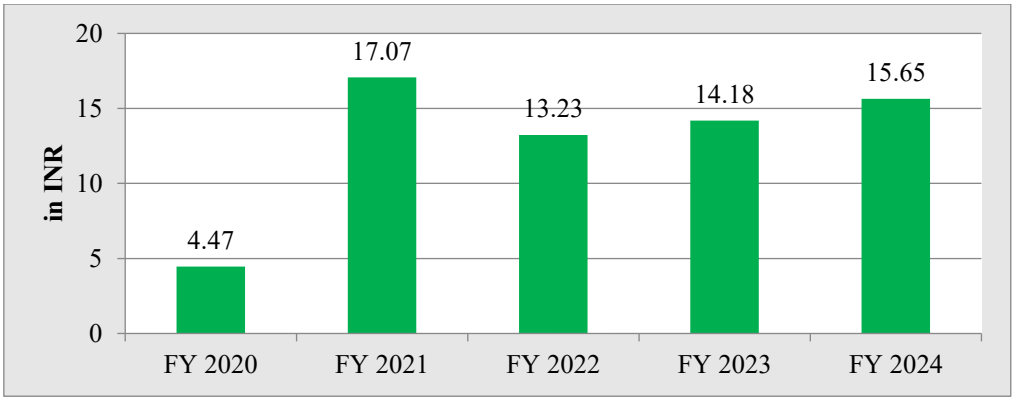
Formula:

Cash Earnings per Share	(Net Profit After Tax + Depreciation) / Number of Equity Shares

Table 5: Cash earnings per share

Year	in INR
FY 2020-21	4.47
FY 2021-22	17.07
FY 2022-23	13.23
FY 2023-24	14.18
FY 2024-25	15.65

Figure 6: Cash earnings per share



Interpretation

Cash earnings per share followed a broadly similar contour to net profit per share, commencing at ₹4.47 in FY 2020 and ascending to a peak of ₹17.07 in FY 2021. The subsequent decline to ₹13.23 in FY 2022 was less pronounced than the drop in net profit per share, indicating that non-cash items (such as depreciation adjustments) contributed to some of the FY 2021 anomaly. The cash EPS then advanced steadily to ₹14.18 in FY 2023 and ₹15.65 in FY 2024, signaling healthier underlying cash-generation capacity even as reported earnings moderated. This steadier recovery underscores the firm's ability to convert operations into cash flows more consistently than accrual-based profits.

V. FINDINGS

- Current and quick ratios both dipped below the benchmark of 1:1 in certain years.
- The liquidity position of Zuari Cements exhibited fluctuations over the five-year period.
- Cash earnings per share consistently exceeded net profit per share.
- Dividend payouts remained modest relative to earnings throughout the study period.
- Return on assets demonstrated low but positive values in each year.
- Return on equity followed a similar low-growth trajectory to return on assets.
- The company's debt-to-equity ratio rose and fell, reflecting shifts in financial leverage.
- Net profit margins spiked sharply in one year before reverting to lower levels.
- Market capitalization relative to revenue showed considerable volatility.
- Earnings yield remained low, indicating limited market valuation support for profits.
- Overall profitability metrics, while positive, were subdued and uneven.
- The company's ability to distribute dividends did not keep pace with earnings growth.

VI. SUGGESTIONS

- Strengthen working-capital management by optimizing inventory turnover and receivables collection.
- Reassess leverage policy to strike a balance between debt financing benefits and liquidity risks.
- Implement cost-reduction initiatives targeting variable expenses to stabilize profit margins.
- Diversify revenue streams through value-added products or entry into adjacent markets.
- Enhance investor communication by issuing clear guidance on dividend and earnings targets.
- Adopt rolling forecasts to improve responsiveness to market volatility.

- Invest in process automation to boost operational efficiency and asset utilization.
- Regularly benchmark financial ratios against industry peers to identify performance gaps.
- Strengthen risk management frameworks to mitigate the impact of commodity price swings.
- Incorporate environmental, social, and governance (ESG) metrics to attract sustainable-focused investors.

VII. CONCLUSIONS

Zuari Cements showed positive but inconsistent financial performance from FY 2020 to 2024, with fluctuating liquidity and profitability indicating both potential and underlying inefficiencies. Temporary profit gains and low returns on assets and equity point to the need for better asset utilization and financial planning. Despite a conservative dividend policy and a stable capital structure, variable leverage and low earnings yield highlight the need to optimize the debt–equity mix. Strengthening financial controls, improving efficiency, and aligning with stakeholder expectations can help the company achieve stable growth and long-term value creation.

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