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ANALYSIS OF FINANCIAL STATEMENT OF STAR CEMENT LIMITED

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ABSTRACT

This study is totally related to financial management and its growth in Star Cement limited. It explains all advantages and objective of the financial management. The objective decides To know the sources of finance and uses of finance, To compare the balance sheet and profit & loss statement of different years, To assess the liquidity position and solvency position. Time frames of the study are 5 years financial statements of Star Cement limited from 1st April '2013 to 31st march, 2018.

I. INTRODUCTION

Star Cement Limited is the largest cement manufacturer in north east India. Our plant is spread across 200 hectares of land in the idyllic town of Lumshnong, a strategic location at Meghalaya that ensures easy availability of high-grade limestone. The brand "Star Cement" has established itself as the most accredited brand of the region on grounds of both quality and fair pricing. Star Cement Limited is listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE)

The plant is located at village Lumshnong, situated on National Highway 44 and 135Kms away from Shillong towards Silchar in Jaintia Hills.Meghalaya.

Presently Star Cement is marketing super quality clinker to different grinding units located in India, Nepal & Bhutan.

VISION

- To become the fastest growing and the most competitive cement company in eastern India
- To be respected for high level of integrity and value

MISSION

- To provide utmost satisfaction to the consumer through best quality and customer care
- To continuously upgrade the product through innovations and convergence of new technology and to produce the best quality at the lowest cost
- To safeguard and enhance shareholder value
- To respect the dignity of all employees and together to become instrumental in the development of the country while protecting the environment
- To utilize the surpluses for the welfare of employees and the society at large

OBJECTIVES

Fixing the objective is like identifying the star. The objective decides where we want to go, what we want to achieve and what is our goal or destination.

1. To find out the liquidity position of the Star Cement limited.
2. To find out the solvency position of the Star Cement limited.

RESEARCH METHODOLOGY

Descriptive research procedure was used for describing the recent situations in the organization and analytical research to analyze the results by using research tools.

Data source & Collection Methods

Secondary data was collected from the reports of the company, books, journals and internet. It is gathered from annual reports, official records and standing orders of the units here was done the analysis on basis of secondary data, which include:

- ➔ Balance Sheet of the Company.
- ➔ Profit and loss A/C of the Company.

Tools Used

I have used the different tools to analyze the financial analysis of Star Cement limited.–

- ✓ Current ratio
- ✓ Quick ratio
- ✓ Total assets turnover ratio
- ✓ Debt equity ratio
- ✓ Working Capital Turnover Ratio
- ✓ Net profit ratio
- ✓ Analysis through Various components of Ratio Analysis technique.

Statical Tools

Suitable statistical tools were used to carry out analysis and prepare graphs, pie- charts etc.

TIME FRAME OF THE STUDY

5 years financial statements of Star Cement limited are:

- ✓ 2017-2018
- ✓ 2016-2017
- ✓ 2015-2016
- ✓ 2014-2015
- ✓ 2013-2014

II. REVIEW OF LITERATURE

The literature for survey to be gathered from optional sources, for example, magazines, articles, reports, spending plans, news paper and so on to highlight the issues and discoveries of the study done by numerous exploration and business experts to comprehend the essentialness of the cash stream administration of the organizations. The targets of the proposed point must be defined in view of the past study by the numerous examination experts. Roughly ten to fifteen surveys must be gathered and displayed in my project report.

According to Philip A. Gibbs in 2016:

This study tries to evaluate the relative significance of free income, corporate administration, and takeover danger in deciding monetary and portfolio rebuilding. The free income speculation and office hypothesis solutions are utilized as the premise for building up a model of rebuilding. A straightforward examination of difference strategy is utilized to deteriorate rebuilding exchanges and results into the three impacts. The outcomes bolster the speculation that money related and portfolio rebuilding is roused, to some degree, by office costs. Disintegration of differences shows that rebuilding is just as clarified by free income and connection of administration and takeover risk with free income.

Samuel H. Szewczyk, George P. Tsetsekos and Zaher Zantout

We look at the part of speculation opportunities and free trade stream out clarifying R&D-impelled strange returns. In the wake of controlling for firm size, monetary influence, profit yield, proprietorship structure, and industry structure, we locate a critical positive connection between an association's Tobin's q and its stock cost response to declarations of expansions in R&D uses. This outcome bolsters the speculation opportunities theory. We discover an absence of backing for the free income speculation from a joint examination of Tobin's q and income. At long last, we observe that R&D-actuated unusual returns are additionally emphatically identified with the rate increment in R&D spending, the association's obligation proportion, and institutional proprietorship.

According to Venkat Srinivasan and Yong H Kim in 2013:

Cash flow management has pulled in the expanding consideration of both academicians and specialists in late time. There is expanding accentuation on cash management as a fundamental authoritative capacity and confirmation shows that the part and obligations of money administrators are extending past traditional limits. In a prior article, Gregory displayed a fabulous survey of a constrained class of cash management models. This paper endeavors to audit the fairly substantial assemblage of deterministic income models that were not checked on by Gregory. The survey puts the models in appropriate viewpoint by distinguishing the basic choice procedures and focuses out the fairly thin center of these models.

Paulo S. F. Barbosaa; Priscilla R. Pimentelb 2014

A linear programming model has been created for ideal income administration tending to particular income issues identified with the development business. These incorporate ordinary money related exchanges, conceivable deferrals on installments, utilization of accessible credit lines, impact of changing financing costs, and spending plan imperatives that regularly happen in the development business. A little size venture from the Brazilian development industry is given as a contextual analysis, going for assessing the potential advantages from utilizing the model. Diverse changes to the essential structure of the model permit and set up the consistency of the outcomes. Elective details are proposed to manage instabilities, longer arranging skylines, and various subcontractors and suppliers.

III. DATA ANALYSIS AND INTERPRETATION

Consolidated Balance Sheet for five years

YEAR	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
EQUITIES AND LIABILITIES					
SHAREHOLDER'S FUNDS					
Equity Share Capital	41.92	41.92	41.92	41.92	41.92
Total Share Capital	41.92	41.92	41.92	41.92	41.92
Reserves and Surplus	1,434.43	1,104.05	1,013.42	879.38	800.97
Total Reserves and Surplus	1,434.43	1,104.05	1,013.42	879.38	800.97
Total Shareholders Funds	1,476.35	1,145.97	1,055.34	921.3	842.89
Minority Interest	62.11	56.6	53.04	47.73	45.06
NON-CURRENT LIABILITIES					
Long Term Borrowings	198.8	371.53	384.33	502.47	648.6
Deferred Tax Liabilities [Net]	0	0	11.69	8.66	3.69
Other Long Term Liabilities	110.15	170.33	93.19	83.62	72.82
Long Term Provisions	0	0	2.68	2.23	1.56
Total Non-Current Liabilities	308.95	541.86	491.88	596.99	726.67
CURRENT LIABILITIES					
Short Term Borrowings	132.92	300.65	364.75	189.29	170
Trade Payables	188.94	93.78	140.39	77.02	72.33
Other Current Liabilities	336.43	341.37	359.02	316.29	258.83
Short Term Provisions	0	0	1.48	41.08	0.31
Total Current Liabilities	658.29	735.8	865.63	623.68	501.47
Total Capital And Liabilities	2,505.71	2,480.23	2,465.89	2,189.70	2,116.09
ASSETS					
NON-CURRENT ASSETS					
Tangible Assets	784.53	863.07	918.98	1,027.82	1,142.32
Intangible Assets	0.21	0.16	0.16	0.15	0.3
Capital Work-In-Progress	35.74	54.87	48.97	40.97	99.23
Fixed Assets	820.47	918.09	968.11	1,068.94	1,241.86
Non-Current Investments	1.44	1.45	1.53	1.53	1.53
Deferred Tax Assets [Net]	232.92	176.5	0	0	0
Long Term Loans And Advances	1.48	1.45	435.96	396.75	268.89
Other Non-Current Assets	53.14	57.43	0.55	0.45	0.51
Total Non-Current Assets	1,109.46	1,154.92	1,406.15	1,467.67	1,512.79
CURRENT ASSETS					
Inventories	294.6	161.22	209.16	109.14	155.47
Trade Receivables	146.47	137.78	448.8	309.8	125.01
Cash And Cash Equivalents	19.78	20.08	23.76	20.31	11.41
Short Term Loans And Advances	5.53	4.9	378.02	282.77	311.41
Other Current Assets	929.86	1,001.33	0	0	0
Total Current Assets	1,396.25	1,325.31	1,059.75	722.03	603.3
Total Assets	2,505.71	2,480.23	2,465.89	2,189.70	2,116.09
OTHER ADDITIONAL INFORMATION					
CONTINGENT LIABILITIES, COMMITMENTS					
Contingent Liabilities	54.5	56.6	52.09	70.1	109.21

BONUS DETAILS					
NON-CURRENT INVESTMENTS					
Non-Current Investments Quoted Market Value	0.03	0.04	0.04	0.04	0.06
Non-Current Investments Unquoted Book Value	1.41	1.41	1.28	1.28	1.28

Consolidated Profit and Loss statement for five years

YEAR	2017-18	2016-17	2015-16	2014-15	2013-14
INCOME					
Revenue From Operations [Gross]	1,620.95	1,545.58	1,757.85	1,469.66	1,027.40
Less: Excise/Sevice Tax/Other Levies	14.58	24.04	48.38	42.70	1.35
Revenue From Operations [Net]	1,606.37	1,521.54	1,709.47	1,426.96	1,026.05
Other Operating Revenues	8.16	6.26	5.56	3.46	1.94
Total Operating Revenues	1,614.53	1,527.80	1,715.03	1,430.43	1,027.99
Other Income	4.39	2.44	1.30	0.78	2.62
Total Revenue	1,618.91	1,530.24	1,716.33	1,431.21	1,030.61
EXPENSES					
Cost Of Materials Consumed	212.45	250.97	206.21	167.91	166.11
Purchase Of Stock-In Trade	49.69	101.42	159.49	49.72	-
Changes In Inventories Of FG,WIP And Stock-In Trade	7.57	(12.09)	(20.18)	11.92	(16.02)
Employee Benefit Expenses	107.36	118.61	107.80	90.76	73.41
Finance Costs	52.46	78.06	83.37	87.38	83.44
Depreciation And Amortisation Expenses	120.69	117.91	171.49	223.74	156.83
Other Expenses	716.11	660.56	862.33	673.66	570.61
Total Expenses	1,266.32	1,315.44	1,570.50	1,305.10	1,034.38
Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	352.59	214.80	145.83	126.11	(3.77)
Exceptional Items	-	-	(0.53)	0.02	(1.02)
Profit/Loss Before Tax	352.59	214.80	145.30	126.12	(4.79)
Tax Expenses-Continued Operations					
Current Tax	73.27	41.77	32.32	26.40	0.88
Less: MAT Credit Entitlement	-	-	29.74	26.40	-
Deferred Tax	(56.86)	(27.87)	3.02	4.97	(2.48)
Tax For Earlier Years	-	-	0.35	(0.17)	0.26
Total Tax Expenses	16.41	13.90	5.96	4.80	(1.34)
Profit/Loss After Tax And Before ExtraOrdinary Items	336.18	200.90	139.34	121.32	(3.46)
Profit/Loss From Continuing Operations	336.18	200.90	139.34	121.32	(3.46)
Profit/Loss For The Period	336.18	200.90	139.34	121.32	(3.46)
Minority Interest	(5.52)	(6.18)	(5.31)	(2.67)	(0.74)
Consolidated Profit/Loss After MI And Associates	330.66	194.72	134.04	118.65	(4.20)
OTHER ADDITIONAL INFORMATION					
EARNINGS PER SHARE					
Basic EPS (Rs.)	8.00	5.00	3.00	3.00	(1.00)
Diluted EPS (Rs.)	8.00	5.00	3.00	3.00	(1.00)
DIVIDEND AND DIVIDEND PERCENTAGE					
Equity Share Dividend	-	-	-	33.54	10.48
Tax On Dividend	-	-	-	6.71	1.78

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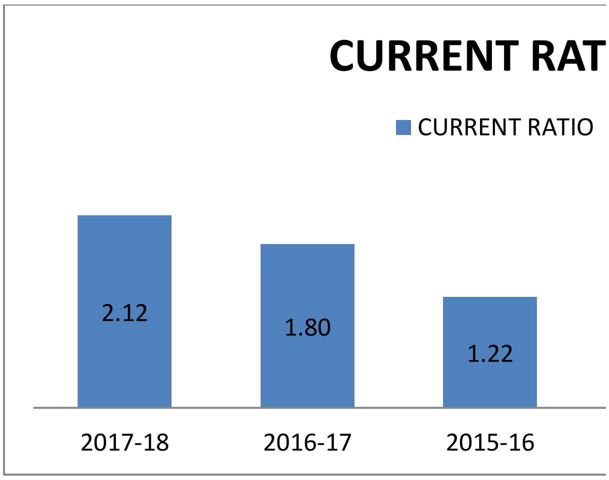
(i) **CURRENT RATIO:** Current ratio is defined as the relationship between current assets and current liabilities.

CURRENT RATIO = CURRENT ASSETS

CURRENT LIABILITIES

(Amount in Rs.)

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2017-18	1,396.25	658.29	2.12
2016-17	1,325.31	735.80	1.80
2015-16	1,059.75	865.63	1.22
2014-15	722.03	623.68	1.16
2013-14	603.30	501.47	1.20



INTERPRETATION

The ideal Current Ratio of any firm is 2:1. In Star Cement limited in 2013-14, Current ratio was 1.20 while in the year 2014-15 it was 1.16. It indicates that the amounts of creditors are decreasing which is good for the sector. In 2015-16, Current ratio was 1.22 while in the year 2016-17 it was 1.80. It indicates that the amounts of creditors are increasing which is not good for the sector.

A company has a high percentage of its current assets in the form of working capital, cash that would be more liquid in the sense of being able to meet obligations as & when they become due. From this working capital, the company meets its day-to-day financial obligations. Thus, the current ratio throws light on the company's ability to pay its current liabilities out of its current assets. The company has a good liquidity position.

(ii) QUICK/ LIQUID/ OR ACID TEST RATIO:

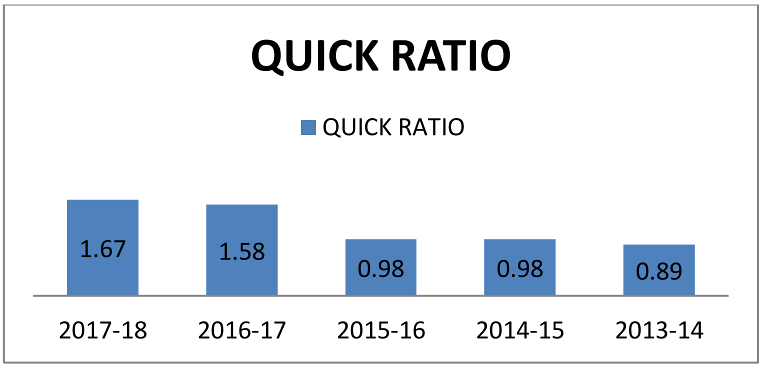
Quick Ratio, also known as Acid Test or Liquid Ratio, is a more rigorous test of liquidity than the current ratio:

QUICK/ LIQUID/ OR ACID TEST RATIO = QUICK ASSETS

CURRENT LIABILITIES

(Amount in Rs.)

YEAR	QUICK ASSETS	CURRENT LIABILITIES	QUICK RATIO
2017-18	1101.65	658.29	1.67
2016-17	1164.09	735.80	1.58
2015-16	850.59	865.63	0.98
2014-15	612.89	623.68	0.98
2013-14	447.83	501.47	0.89



INTERPRETATION

The ideal Quick Ratio is 1:1. The liquid or quick ratio indicates the liquid financial position of an enterprise. The liquid ratio of the company has shown 1.58 and 1.67 in year 2016-17 and 2017-18 respectively. Day to day solvency is sounder for company. Liquid ratio of Company is favorable because the quick assets of the company are more than the quick liabilities. The liquid ratio shows the company's ability to meet its immediate obligations promptly.

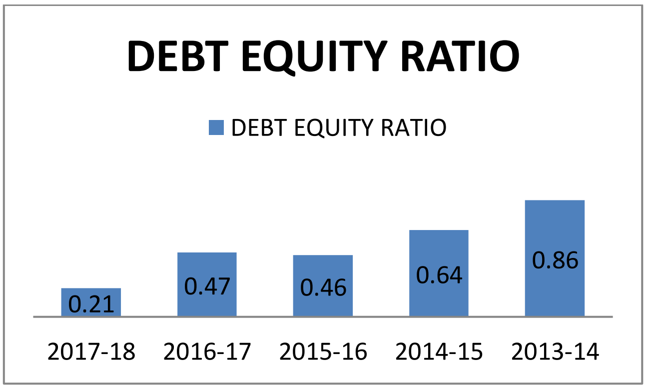
(ii) DEBT-EQUITY RATIO

The Debt to Equity Ratio measures how much money a company should safely be able to borrow over long periods of time.

$$\textbf{FORMULA} = \frac{\textbf{LONG-TERM DEBTS}}{\textbf{EQUITY}}$$

(Amount in Rs.)

YEAR	LONG TERM DEBTS	EQUITY	DEBT EQUITY RATIO
2017-18	308.95	1,476.35	0.21
2016-17	541.86	1,145.97	0.47
2015-16	480.20	1,055.34	0.46
2014-15	588.32	921.30	0.64
2013-14	722.98	842.89	0.86



INTERPRETATION

The debt equity ratio is important tool of financial analysis to appraise the financial structure of the company. It expresses the relation between the external equities & internal equities. This ratio is very important from the point of view of creditors & owners. The rate of debt equity ratio was 0.86 in the year 2013-14. It was decreased in year 2014-15 by 0.64 and it continuously decreased till the year 2017-18.

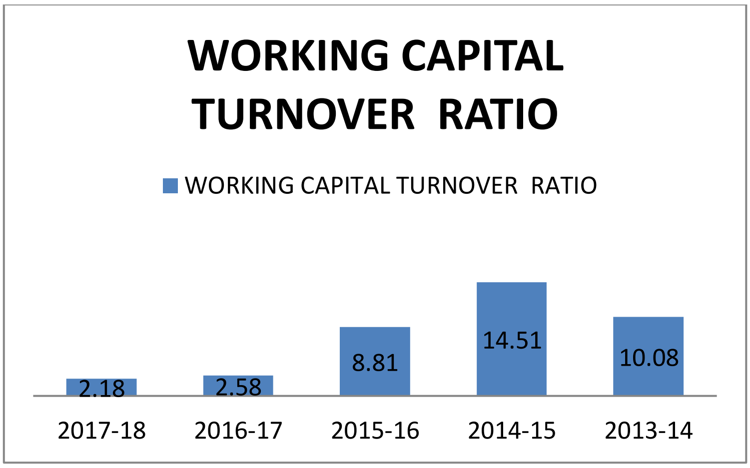
(iv) WORKING CAPITAL TURNOVER RATIO:

The ratio measures the efficiency with which the working capital is being used by a firm. It may thus computer net working capital turnover by dividing sales by working capital.

FORMULA= ____REVENUE___
NET WORKING CAPITAL

(Amount in Rs.)

YEAR	NET REVENUE	NET WORKING CAPITAL	WORKING CAPITAL TURNOVER RATIO
2017-18	1,606.37	737.96	2.18
2016-17	1,521.54	589.51	2.58
2015-16	1,709.47	194.12	8.81
2014-15	1,426.96	98.35	14.51
2013-14	1,026.05	101.83	10.08



INTERPRETATION

High Working Capital Ratio indicates the capability of the organization to achieve maximum sales with the minimum investment in working capital. The Company Working Capital Ratio in 2013-14 was 10.08; it was increased to 14.51 in 2014-15 .In 2015-16 it was decreased to 8.81 in the same way it was again decreased by 2.58 in 2016-17.

(v) TOTAL ASSETS TURNOVER RATIO

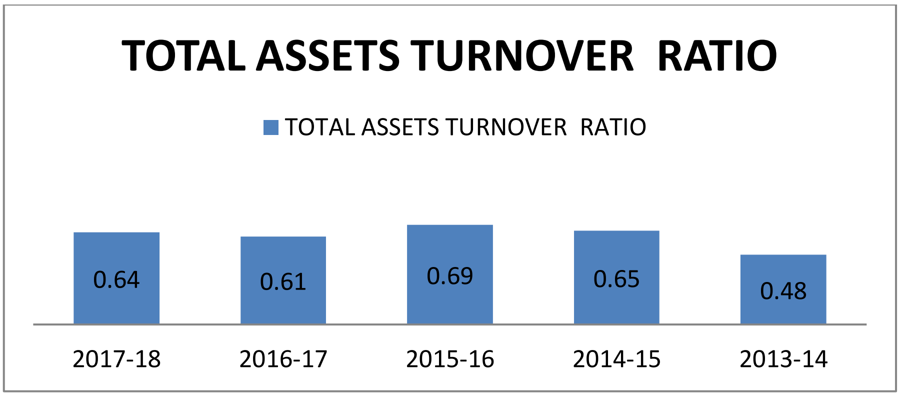
The total asset turnover ratio measures the ability of a company to use its assets to efficiently generate sales.

FORMULA = NET REVENUE

TOTAL ASSETS

(Amount in Rs.)

YEAR	NET REVENUE	TOTAL ASSETS	TOTAL ASSETS TURNOVER RATIO
2017-18	1,606.37	2,505.71	0.64
2016-17	1,521.54	2,480.23	0.61
2015-16	1,709.47	2,465.89	0.69
2014-15	1,426.96	2,189.70	0.65
2013-14	1,026.05	2,116.09	0.48



INTERPRETATION

The lower the Total Asset Turnover Ratio as compared to historical data for the firm and industry data, the more sluggish the firm's sales. This may indicate a problem with one or more of the asset categories composing total assets - inventory, receivables, or fixed assets. In 2014-15 the Total Assets Turnover Ratio was 0.65.It was increased to 0.69 in 2015-16.But in the year 2016-17 Total Assets Turnover Ratio was decreased by 0.61.

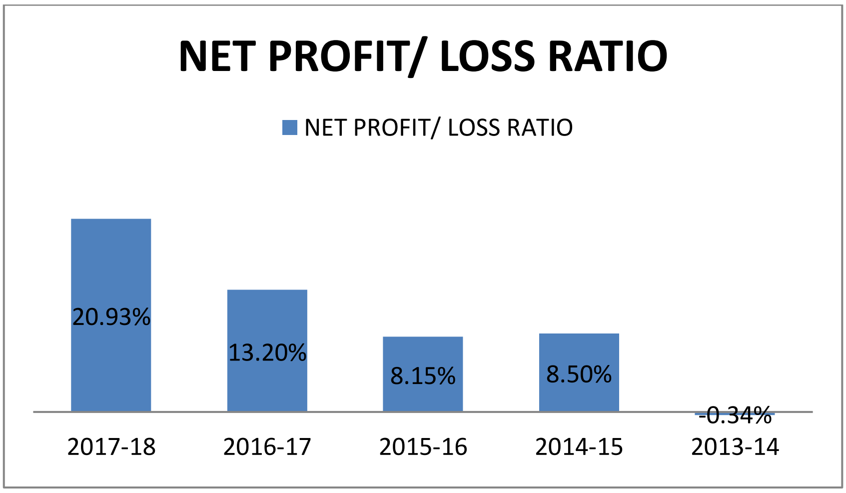
(vi) NET PROFIT RATIO:

Net profit ratio establishes a relationship between net profit (after tax) and sales, and indicates the efficiency of management in manufacturing, selling, administrative and other activities of the firm. It is calculated as:

$$\text{NET PROFIT RATIO} = \frac{\text{NET PROFIT/LOSS}}{\text{NET SALES}} \times 100$$

(Amount in Rs.)

YEAR	NET PROFIT/ LOSS	NET REVENUE	NET PROFIT/ LOSS RATIO
2017-18	336.18	1,606.37	20.93%
2016-17	200.90	1,521.54	13.20%
2015-16	139.34	1,709.47	8.15%
2014-15	121.32	1,426.96	8.50%
2013-14	-3.46	1,026.05	-0.34%



INTERPRETATION

According to the graphical analysis, the Net Profit/loss Ratio is increasing from 2014 to 2018.In 2013-14, it was decreased and negative by 0.34%.but in the year 2014-15, it was increased to 8.50%.In 2016-17 it was increased to 13.20% 2017-18 it was also increased to 20.93%.

IV. FINDINGS

- In Star Cement limited in 2013-14, Current ratio was 1.20 while in the year 2014-15 it was 1.16. It indicates that the amounts of creditors are decreasing which is good for the sector. In 2015-16, Current ratio was 1.22 while in the year 2016-17 it was 1.80. It indicates that the amounts of creditors are increasing which is not good for the sector.
- The liquid or quick ratio indicates the liquid financial position of an enterprise. The liquid ratio of the company has shown 1.58 and 1.67 in year 2016-17 and 2017-18 respectively.
- The rate of debt equity ratio was 0.86 in the year 2013-14. It was decreased in year 2014-15 by 0.64 and it continuously decreased till the year 2017-18.
- The Company Working Capital Ratio in 2013-14 was 10.08; it was increased to 14.51 in 2014-15 .In 2015-16 it was decreased to 8.81 in the same way it was again decreased by 2.58 in 2016-17.
- In 2014-15 the Total Assets Turnover Ratio was 0.65.It was increased to 0.69 in 2015-16.But in the year 2016-17 Total Assets Turnover Ratio was decreased by 0.61.
- The Net Profit/loss Ratio is increasing from 2014 to 2018.In 2013-14, it was decreased and negative by 0.34%. But in the year 2014-15, it was increased to 8.50%. In 2016-17 it was increased to 13.20% 2017-18 it was also increased to 20.93%.

V. CONCLUSION AND LIMITATIONS

In Star Cement limited in 2013-14, Current ratio was 1.20 while in the year 2014-15 it was 1.16. It indicates that the amounts of creditors are decreasing which is good for the sector. In 2015-16, Current ratio was 1.22 while in the year 2016-17 it was 1.80. It indicates that the amounts of creditors are increasing which is not good for the sector. The liquid or quick ratio indicates the liquid financial position of an enterprise. The liquid ratio of the company has shown 1.58 and 1.67 in year 2016-17 and 2017-18 respectively. Day to day solvency is sounder for company. Liquid ratio of Company is favorable because the quick assets of the company are more than the quick liabilities. The liquid ratio shows the company's ability to meet its immediate obligations promptly.

The debt equity ratio is important tool of financial analysis to appraise the financial structure of the company. It expresses the relation between the external equities & internal equities. This ratio is very important from the point of view of creditors & owners. High Working Capital Ratio indicates the capability of the organization to achieve maximum sales with the minimum investment in working capital.

The lower the Total Asset Turnover Ratio as compared to historical data for the firm and industry data, the more sluggish the firm's sales. This may indicate a problem with one or more of the asset categories composing total assets - inventory, receivables, or fixed assets. The Net Profit/loss Ratio is increasing from 2014 to 2018.In 2013-14, it was decreased and negative by 0.34%.but in the year 2014-15, it was increased to 8.50%.In 2016-17 it was increased to 13.20% 2017-18 it was also increased to 20.93%.

LIMITATIONS OF THE STUDY

The report may be beneficial to Star Cement limited. But there are some limitations of the study:-

- The preparation and interpretation of data may not be 100% free from errors and may be affected by the authenticity of financial reports to some extent.
- The study was based on the balance sheet of the company and depends directly on balance sheet and annual reports of the company.
- As only single area are surveyed or covered. It does not represent the overall view of each field.
- There may not be substantial and it is limited to the years under study.
- Ratios provide only quantitative information, not qualitative information.
- Ratios are calculated on the basis of past financial statements. They do not indicate future trends and they do not consider economic conditions.

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