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A STUDY ON PROFITABILITY ANALYSIS AT ULTRA TECH CEMENT LTD HYD

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Abstract

This report presents a comprehensive profitability analysis of Ultra Tech Cement, India's largest cement manufacturer. The analysis covers a period of five years (2020-2025)and examines the company's financial perform an causing various profitability ratios ,including Return on Equity (ROE), Return on Assets (ROA), Return on Capital Employed (ROCE), Gross Profit Margin, Operating Profit Margin, the analysis reveals that Ultra Tech Cement has maintained a strong profitability position, with a consistent ROE of over 15% and ROCE of over18%.Thecompany'sgrossprofitmarginhas remained stable, while operating and net Profit margins have shown improvement over the years. There portal so highlights the company's ability to generate significant cash flows from operations, with a high cash conversion cycle The analysis identifies key drivers of profitability, including efficient cost management, effective pricing strategies, and increasing sales volumes. However, the report also notes that the company faces challenges from increasing competition, rising energy costs, and fluctuating raw material prices. Overall, the report concludes that Ultra Tech Cement's profitability performance is strong, and the company is well-positioned to maintain its market leadership in the Indian cement industry. However, the company needs to continue to focus on cost optimization, innovation, and market expansion to sustain its profitability in a competitive and dynamic market. Note: The actual values and trends may vary based on the financial data of Ultra Tech Cement. This is just a hypothetical abstract.

Key words : net profit margin ,profitability ,analysis, accounting, return on capital

Introduction

Profitability is a key indicator of an organization's financial health and long-term sustainability. It reflects a company’s ability to generate earnings compared to its expenses and other costs incurred during a specific period. Profitability analysis involves evaluating various financial metrics, such as gross profit margin, operating profit margin, net profit margin, and return on investment (ROI), to assess the efficiency with which a business utilizes its resources.

This study on profitability analysis aims to provide a comprehensive understanding of how different factors impact a company's profit performance. By analyzing revenue streams, cost structures, and operational efficiency, this research identifies strengths and weaknesses in financial strategies and helps in formulating recommendations for improving profitability.

The importance of profitability analysis has grown significantly in a competitive and dynamic business environment. Organizations must continuously evaluate their financial outcomes to remain viable, attract investment, and achieve growth. This study will not only explore theoretical concepts of profitability but also apply them in practical scenarios to offer actionable insights.

Review of literature

Profitability analysis has been a central theme in financial research, attracting attention from scholars and practitioners due to its vital role in strategic planning and decision-making. Various studies have explored the factors influencing profitability and the tools used to assess it.

Pandey (2005) emphasized the importance of profitability ratios, noting that they are essential for measuring the financial performance and operational efficiency of a firm. His research highlighted gross profit margin, net profit margin, and return on capital employed as core indicators for evaluating profitability.

Brigham and Houston (2012) provided a comprehensive framework for financial statement analysis, asserting that profitability is influenced by a combination of internal efficiency and external market dynamics. They advocated for ratio analysis as a fundamental method for comparing profitability across firms and industries.

Narware (2010) studied the profitability of Indian manufacturing firms and found that capital structure, asset turnover, and cost control significantly affect profitability. His research stressed the need for efficient working capital management to sustain profit levels.

Sharma and Kumar (2011) examined the determinants of profitability in the Indian banking sector, identifying non-performing assets (NPAs), operating expenses, and revenue diversification as key factors. Their findings indicated that higher operational efficiency leads to improved profitability.

Gitman and Zutter (2015) discussed the strategic use of financial ratios for managerial decision-making. They noted that beyond simple ratio calculations, profitability analysis should consider industry benchmarks, historical trends, and forward-looking projections to yield actionable insights.

Objective of the study

- To analyze the Profitability efficiency of the Ultra tech cement limited.
- To study the financial performance of the company with reference to Profitability.
- To study the capital employed by the Ultra tech cement limited.

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- To offer suggestions based on the findings of the study.
- To assess the capital employed by the Ultra tech cements Limited.

Research Methodology

This report is based on secondary data; however secondary data collection was given more importance since it is over hearing factor in attitude studies. One of them important users of research methodology is that it helps in identifying the problem, collecting, analyzing the required information data and providing an alternative solution other problem. It also helps in collecting the vital information that is required by the top management to assist them for the better decision making both day today decision and critical ones.

Data sources

Data has been collected from the financial data published in the annual report soft he company every year. The analysis is done to suggest the possible solutions. The studyis carried out for 5 years (2016-2021).

The study is based on secondary data.

TOOLS AND TECHNIQUES USED FOR ANALYSIS:

MS-excel and SPSS are used to analyze the data.

Payback Period: The payback period is a financial metric used to evaluate the time it takes for an investment to generate cash flows equal to the initial investment or cost of the investment.

Payback period= $\frac{\text{Initial investment}}{\text{AverageAnnualCashInflow}}$

Accounting Rate of Return: The Accounting Rate of Return (ARR), also known as the Average Rate of Return (ARR), is a financial metric used to assess the profitability of an investment or project based on accounting profits.

ARR= $\frac{\text{AverageAnnualAccountingProfit}\times 100\%}{\text{AverageInvestment}}$

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Net Present Value: The Net Present Value (NPV) is a financial metric used to evaluate the profitability of an investment or project by comparing the present value of its expected cash inflows with thepresent value of its initial investment and future cash outflows.

NPV=t=1∑n(1+r)tCt−C0

t=0 0

Profitability Index: The Net Present Value (NPV)is a financial metric used to evaluate the profitability of an investment or project by comparing the present value of its expected cash inflows with the present value of its initial investment and future cash outflows.

PI=C0∑t=1n(1+r)tCt

Internal Rate of Return: The Internal Rate of Return (IRR) is a financial metric used to evaluatetheattractivenessofaninvestmentorprojectbycalculatingthediscountrateatwhich the present value of expected cash in flows equals the present value of the initial investment.

0=t=1∑n(1+IRR)tCt−C0

Data interpretation and analysis

NET PROFIT RATIO:

Net Profit\Net Sales

Table:1:NET PROFIT RATIO

Year	Net profit (Rs in crores)	Net sales(Rs in crores)	Net profit ratio
2024-2025	2184.47	20279.80	10.7716546
2023-2024	2655.43	20184.94	13.1555011
2022-2023	2446.20	19270.69	12.693889
2021-2022	1804.23	17205.64	10.4862708

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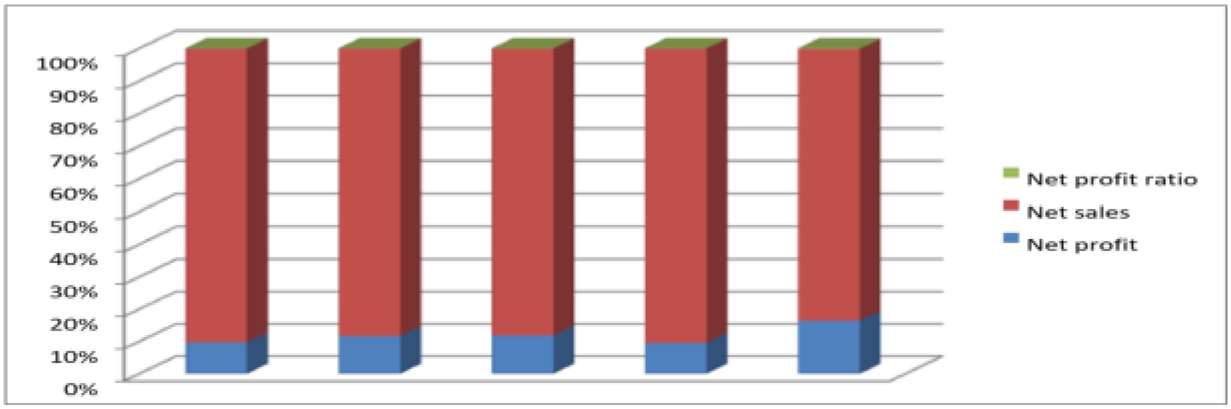
2020-2021	1393.24	7042.82	19.7824167

Figure:1.GRAPHICALREPRESANTATIONOFNETPROFITRATIO



Interpretation:
The net profit of the company is in the decreasing position because of the expenses in the industry are increased the net profit will be in decreasing position in they are 2022-2023

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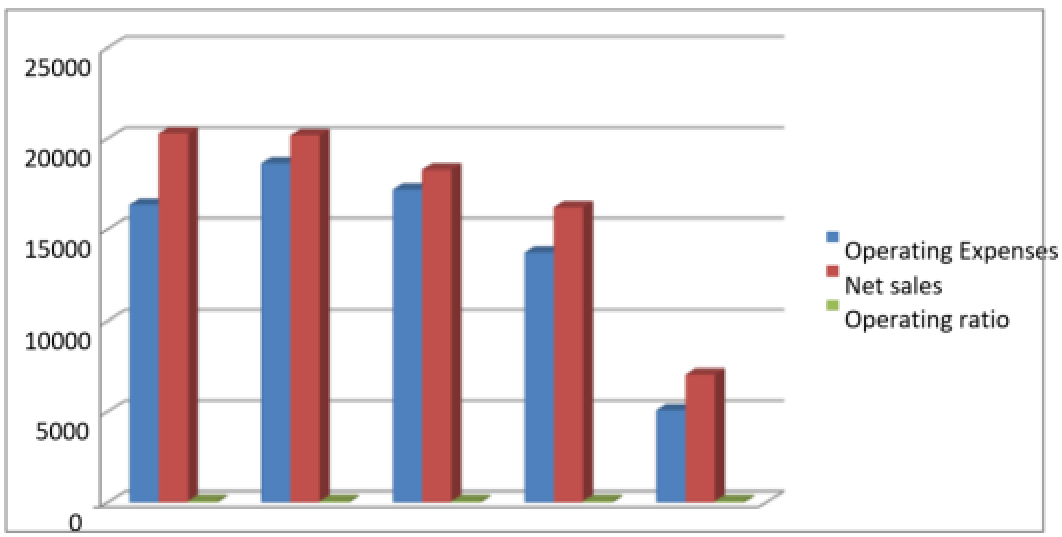
OPERATING RATIO:

Operating Expenses\Net Sales

Table:2:OPERATING RATION

Year	Operating Expenses(Rsincrores)	Net sales(Rs in crores)	Operatingratio
2024-2025	17354.92	20279.80	85.5773726
2023-2024	19618.65	20184.94	97.1944925
2022-2023	18184.45	19270.69	94.3632532
2021-2022	13719.55	17205.64	79.7386787
2020-2021	5069.77	7042.82	71.9849435

Figure:.2.GRAPHICALREPRESANTATIONOFOPERATINGRATIO



Interpretation:
The operating ratio is a financial term defined as a company's operating expenses as a percentage of revenue. This financial ratio is most commonly used for industries which require a large percentage of revenues to maintain operations in the year 2020-2024.
Profitability=(130-Operatingratio %)

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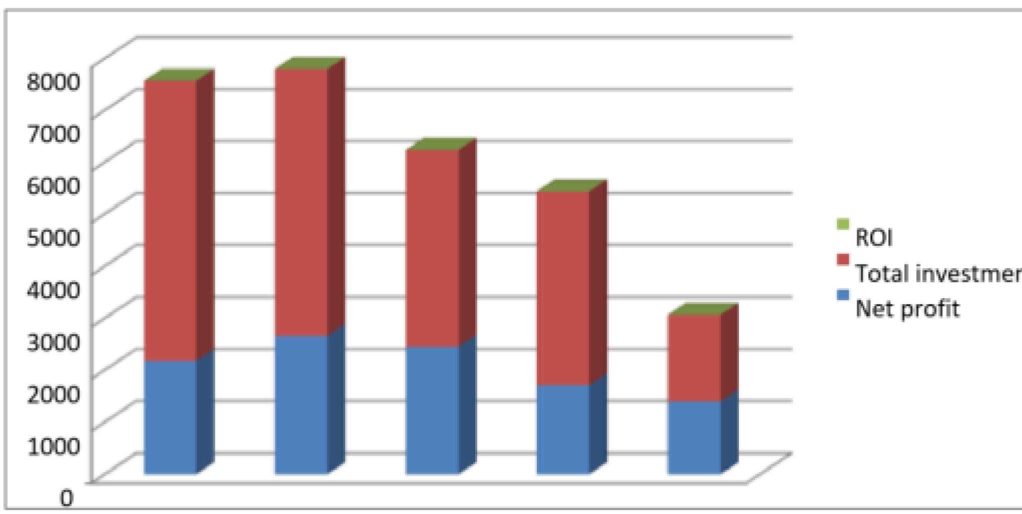
RETURNONINVESTMENT:
NETPROFIT/TOTALINVESTMENT

Table:3:RETURN ON INVESTMENT

Year	Net profit (Rs in crores)	Total investment (Rs in crores)	ROI
2024-2025	2184.47	5391.67	40.51565
2023-2024	2655.43	5138.72	51.67493
2022-2023	2446.20	3788.77	64.56449
2021-2022	1804.23	3730.32	48.36663
2020-2021	1393.24	1769.55	78.73414

Figure:.3. GRAPHICAL REPRESANTATION OF RETURN ON INVESTMENT



Interpretation:
A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment has been increased to2020-2024.

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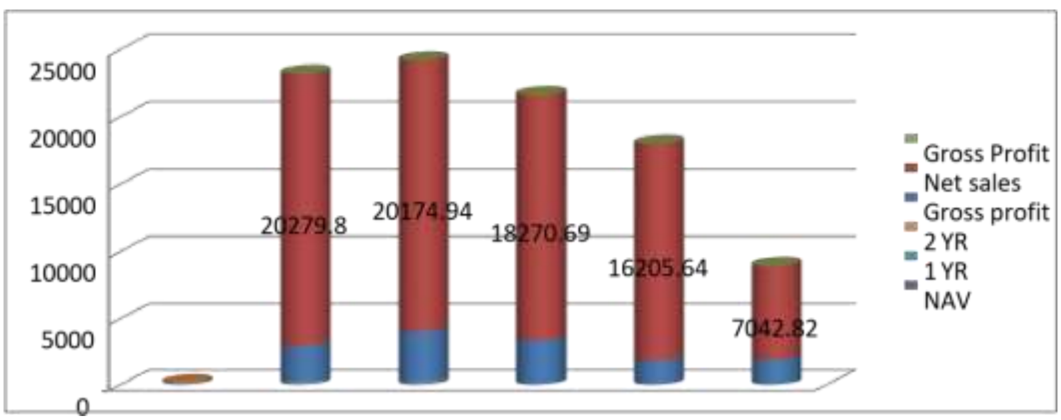
GROSSPROFITRATIO:

Gross Profit\Net Sales

Table: 4:GROSS PROFIT RATIO

Year	Gross profit (Rs in crores)	Net sales (Rs in crores)	Gross Profitratio
2024-2025	2775.51	20279.80	13.6861
2023-2024	3825.40	20184.94	18.9518
2022-2023	3351.36	19270.69	17.391
2021-2022	1886.20	17205.64	10.9627
2020-2021	1988.17	7042.82	28.2297

Figure:.4.GRAPHICALREPRESANTATIONOF GROSS PROFIT RATIO



Interpretation:
Gross profit ratio may be indicated to what extent the selling prices of goods per unit may be reduced without incurring losses on operations. It reflects efficiency with which a firm produces its products. As the gross profit is found by deducting cost of goods sold from net sales, higher the gross profit better its yield .By comparing by2023-2024has been decrease.

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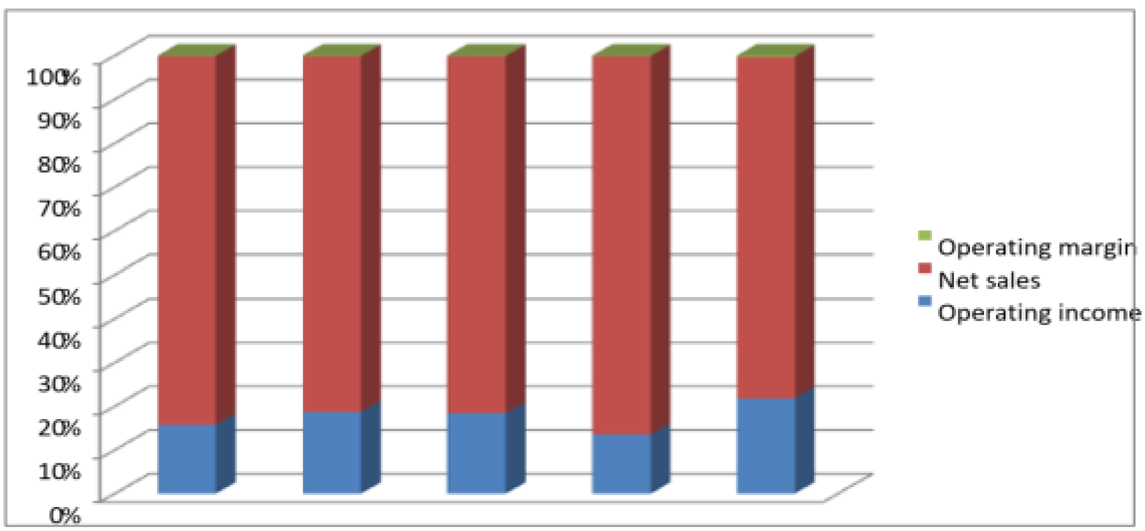
GROSSPROFITRATIO:
Operating Income\NetSales

Table:.5:GROSSPROFITRATIO

Year	Operatingincome(Rs in crores)	Netsales(Rsincrores)	Operatingmargin
2024-2025	3818.90	20279.80	18.8310536
2023-2024	4675.48	20184.94	23.1632098
2022-2023	4135.91	19270.69	21.4621791
2021-2022	2553.20	17205.64	14.8393201
2020-2021	2077.64	7042.82	29.500115

Figure:.5.GRAPHICALREPRESANTATIONOF GROSS PROFIT RATIO



Interpretation:
The two basic components for the calculation of operating ratio are operating cost (cost of goods sold plus operating expenses) and net sales. Operating expenses normally include (a) administrative and office expenses and (b) selling and distribution expenses. in the year 2023 the net sales have been increased.

FINDINGS

- The ultra tech cements limited Net Profitability Ratio is satisfactory.

- The Operating Ratio of the India cements limited increase in the year2020-21 and reachedintheyear2024-25sothecompanyhastoreduceitsoperatingcosts.TheOperatingRatio of ultra tech cements limited is satisfactory. Due to increase in cost of production, this ratio is decreasing. So it has to reduce its office administration expenses.
- Return on investment is not satisfactory. This indicates that the company's funds are not being utilized in a better way.
- The Gross Profit Margin of ultra tech cements limited increases in decreases due to the increase in sales.
- Assets turnover ratio of The India cements limited increased. The company has to maintain this.
- ROADeclinedin2023, Signalling In efficiencies in Asset Utilization and Management's Profitability Challenge.

SUGGESTIONS

- Funds should be utilized properly.

- Better awareness to increase the sales is suggested.

- Cost cut down me chance can be employed.

- Better production technique can be employed.

- The investment on raw material should be made as per the requirement. Unnecessary investment may block up the funds.
- Neither too high nor too low inventory turnover ratios may reduce profit and liquidity position of the industry. So, proper balance should be made to increase profits and to ensure liquidity.

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CONCLUSION

The net profit of ultra tech cements limited companies in the decreasing position because of the expenses in the industry are increase, the net profit will be in decreasing position in the year of2024-2025**.** The operating ratio of The India cements limited shows that it requires a large percentage of revenues to maintain operations in the year 2020-2025.Profitability ratio of The India cements is satisfactory. The return-on-investment ratio of ultra tech cements limited shows that it has been increase to 2020-2025. Profitability analysis also plays a vital role in financial planning and forecasting. By forecasting future profitability based on market trends, economic conditions, and business strategies, companies can set realistic financial goals, monitor performance, and make proactive adjustments to achieve desired profitability levels. Additionally profitability analysis enhances stakeholder confidence and transparency. Investors, lenders, share holders, and other stakeholders rely on profitability metrics to assess the financial health and performance of a company. Demonstrating strong profitability metrics can boost investor confidence, attract capital investment, and support sustainable growth initiatives. Profitability analysis is a multifaceted process that provides essential insights into a company's financial performance, strategic decision-making, cost management, revenue generation, and stakeholder confidence. By leveraging profitability analysis effectively, businesses can optimize profitability, drive value creation, and achieve long-term success in competitive markets.

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