



P- 2025

## **WORKING CAPITAL MANAGEMENT OF THE ACC LTD., MADUKKARAI**

**SUMMER PROJECT REPORT**

Submitted to the

Faculty of Management Sciences, Anna University

In partial fulfillment of the requirement

For the award of the degree of

**MASTER OF BUSINESS ADMINISTRATION**

By

**N.R JANANI**

**71205631020**

October 2006

DEPARTMENT OF MANAGEMENT STUDIES

**KUMARAGURU COLLEGE OF TECHNOLOGY**

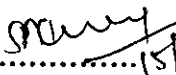
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KUMARAGURU COLLEGE OF TECHNOLOGY  
COIMBATORE**

**BONAFIDE CERTIFICATE**

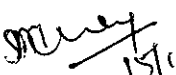
Certified that this project titled “**WORKING CAPITAL MANAGEMENT OF THE ACC LTD., MADUKKARAI**” is the bonafide work of **Ms. N.R. Janani (71205631020)** who carried out this research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

  
.....15/11  
**Faculty Guide**

  
**Prof. S. GANESAN**  
**Director**

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**Evaluated and viva-voce conducted on.....**

  
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**Examiner I**

  
**Examiner II**

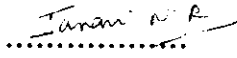
# DECLARATION

I, **N.R. Janani (71205631020)** final year MBA student of KCT Business School, hereby declare that the project entitled “Working Capital Management of The ACC Ltd, Madukkarai” has been done by me under the guidance of Dr. S. PremKumar M.B.A., M.Phil., PhD submitted in partial fulfillment for the award of the degree of Master of Business Administration of Anna University.

Station: Coimbatore

Date :

Signature of the candidate

  
.....  
(N.R.JANANI)

IS/ISO 9001



CERTIFIED COMPANY



DNV

ISO 14001 REGISTERED FIRM



The Associated  
Cement Companies  
Limited

TNGST No : 1920015 } DT. 1.7.57  
CST No : 626504 }  
ECC No : AAAC 1507CXM003  
IAC No : 101  
Range : III E  
Division : III  
Collectorate : Coimbatore

Name changed to  
ACC Limited  
w.e.f. 01/09/2006

MADUKKARAI CEMENT WORKS  
P.O.Madukkarai - 641 105  
Dist. Coimbatore-(Tamil Nadu)  
Grams : MADUKCEMT - MADUKKARAI  
Phones : 2622523 (PUR), 2622476( Accounts)  
Fax : 0422 - 2622288  
E-Mail : purchase\_mdk@accement.com  
Our Bankers :M/s. Canara Bank  
Madukkarai,Coimbatore - 641 105  
Phone : 2622254

Ref: MK / HRD / 100

Dt: 04 / 11 / 06.

TO WHOMSOEVER IT MAY CONCERN

This is to certify that Ms.N.R.Janani 2<sup>ND</sup> MBA of KCT Business School,  
Kumaraguru College of Technology, Coimbatore has undergone Summer  
Placement Project in our organization during the period from 01.07.2006 to  
09.08.2006.

Sr. Manager – HR & Admn.  
Madukkarai Cement Works.

## ACKNOWLEDGEMENT

I express my sincere gratitude to our beloved correspondent **Prof. Dr. K. Arumugam**, the prime guiding spirit of Kumaraguru College of technology. I sincerely thank our college Principal **Dr. Joseph V. Thanikal**.

I express my sincere thanks to our beloved Director **Prof. S.Ganesan** for giving me an opportunity to undergo the summer placement project and earn valuable knowledge out of it.

I am deeply indebted to **Dr. S. PremKumar** for extending his cooperation and guidance for the study and for the preparation of this report. I also thank all my faculty members who have guided me and helped me in completing the report.

I extend my heartfelt gratitude to the **Mr.P.Lakshmi Narasimhan**, Senior Officer HR and Administration Manager, **Mr. Seetharaman**, Junior Officer HR and Administration and **Ms. Padmavathy** HR Trainee ACC Cement Works, Coimbatore for having given me the utmost co-operation, guidance and enthusiastic inspiration in completing this project.

Lastly I thank all the employees in the organization who were involved knowingly or unknowingly to make this Project work successful.

## **ABSTRACT**

Finance is one of the basic foundations of all kinds of economic activities in the modern industrial economy. The Management of the company makes use of various financial techniques, devices etc for administrating financial affairs of the company in the most effective and efficient way. Working capital is regarded as the lifeblood of the business. Its inefficient management can lead not only to loss of profits but also to the downfall of a business. A study of working capital is of major importance to internal and external analysis because of its close relationship with the current day-to-day operations of the business.

The main objective of the project is to study the organization as a whole and to study the various activities undergone in all the functional departments of the organization. The working capital management of The ACC Ltd. for the past 5 years was analyzed to find the liquidity position of the organization. Also the projections for the next two years are forecasted using trend analysis.

The study reveals that the firm has increased sales which results in the increased profitability. From the analysis it is found that the company is maintaining a good liquidity position and hence had met all the current obligations. Efficient inventory management was revealed through the inventory turnover ratio. The high earnings per share and the increasing trend of the market price of the share are obvious that the company's performance is in a good position. It shows the good sign to its shareholders to invest more in the organization, and can be forecasted that it will grow higher in the future.

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# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 BACKGROUND OF THE STUDY**

The analysis of working capital management of the Associated Cement Companies Limited and the organizational study are the background of this project. The study enables the stakeholders of the company to understand well about the company's past performance and thereby enables to estimate the future performance.

### **1.2 PROBLEM OF THE STUDY**

The problem of the study is to analyze the working capital management of the company in the past five years and to project it for the next two years.

### **1.3 OBJECTIVES OF STUDY**

The purpose of the study is to learn the functions of various departments of the entire organization. The primary objective is to determine the working capital of ACC for the period of the study. The second objective is to determine the efficiency in cash, inventories, debtors and creditors and to understand the liquidity and profitability position of the firm.

### **1.4 SCOPE OF STUDY**

The scope of study is to determine the Working Capital Management of ACC. The study will be useful for improvement in the performance of the firm. The study covers a period of 5 years from 2001-2005.

## **1.5 RESEARCH METHODOLOGY**

### **1.5.1 TYPE OF RESEARCH**

The type of research done was analytical as well as descriptive in nature. The study was done mainly to analyze the financial health of the organization. The research was done on the available information, hence descriptive in nature too.

### **1.5.2 SAMPLING DESIGN**

Non-Probability sampling is used which is the sampling procedure which does not afford any basis for estimating the probability that each item in the population has been included in the sample. The sample items are selected deliberately from the annual report from the year 2001-2005.

### **1.5.3 METHOD OF DATA COLLECTION**

The methodology used in data collection for the purpose of working capital management of the company was through primary data and secondary data. Primary data was collected by direct contact with officers and managers. Sources of secondary data were from the details published in annual Reports of The ACC Ltd for the year ended 2001 March to 2005 Dec.

### **1.5.4 SAMPLE SIZE**

From the population the sample of five years from the year 2001 to 2005 has been selected for the study of the working capital management of the company.

### **1.5.5 TOOLS OF ANALYSIS**

The analysis is done with the Ratio analysis and the statement showing changes in working capital was prepared to analyze the working capital. The projections for the next two years are done using trend analysis.

## **1.6 LIMITATIONS OF STUDY**

The limitations of the study are as follows:

- 1) The period of study is limited to 5 years from 2001 to 2005.
- 2) Project duration was also a constraint.
- 3) The reliability of the secondary data collected based on the published details and the annual reports are subjected to window dressing.

## **1.7 CHAPTER SCHEME**

### **1.7.1 Chapter 1: Introduction**

The first chapter deals with the background, objectives, scope of the study, methodology used in data collection, limitations of the study, and brief introduction of all the chapters.

### **1.7.2 Chapter 2: Organization Profile**

Organization profile includes details on the history of the organization, management and organization structure, product profile and market potential, competitive strength of the company and a brief description on various functional areas of the organization.

### **1.7.3 Chapter 3: Industry Profile**

Macro-Micro analysis deals with the prevailing scenario of the organization with respect to its respective industry and to perform the SWOT analysis of the company.

### **1.7.4 Chapter 4: Data Analysis and Interpretation**

The Chapter mainly deals with performing various ratio analysis related to working capital in order to analyze and compare the performance of the company.

### **1.7.5 Chapter 5: Conclusion**

Conclusion includes the results and the discussions put forth regarding the performance of the company for the past 5 years and the considered recommendations to improve the performance of the company.

## CHAPTER 2

### COMPANY PROFILE

#### 2.1 HISTORY OF THE ORGANIZATION

##### **Heritage - A Corporate Saga**

ACC was formally established on August 1, 1936. Sadly, F E Dinshaw, the man recognized as the founder of ACC, died in January 1936. Just months before his dream could be realized.



**F. E. Dinshaw – the founder of ACC**

ACC stands out as the most unique and successful merger in Indian business history, in which the distinct identities of the constituent companies were melded into a new cohesive organization – one that has survived and retained its position of leadership in industry. In a sense, the formation of ACC represents a quest for the synergy of good business practices, values and shared objectives. ACC has a unique track record of innovative research, product development and specialized consultancy services. It is an important benchmark for the cement industry in respect of its production, marketing and personnel management processes. **The ACC LTD.**, (The Associated Cement Companies Limited) is India's foremost manufacturer of cement and concrete. ACC was setup in the year 1936. ACC is the third largest cement producer and one of the largest integrated cement companies in the world. ACC is proud of its many innovations

over the years and realizes that innovativeness is an essential characteristic of leadership. It is a public ltd company. The plant capacity is 1100 tonnes/day. It has 14 cement factories, 11 marketing offices, 21 area offices, 160 warehouses and 9000 dealers all over the country.

### **2.1.1 ACC's SUBSIDIARY COMPANIES**

The ACC Ltd have eight subsidiary companies. They are:

- 1) ACC-Machinery Company Ltd.
- 2) ACC-Nihon Castings Ltd.
- 3) Bargarh Cement Ltd.
- 4) Bulk cement corporation (India)Ltd.
- 5) Damodhar Cement and Slag Ltd.
- 6) Everest Industries Ltd.
- 7) Cement Marketing Company of India Ltd.
- 8) Tarmac(India) Ltd, Maharashtra.

### **2.1.2 ABOUT ACC MADUKKARAI**

It was set up in 1936 with capacity 0.6LTPA of Portland using wet process. Then the plant capacity was enhanced to 6.93LTPA by adopting semi-wet in 1989. In 2000 the capacity of the plant increased to 7.5LTPA. The factory & colony area is 259.16 acres and the quarry leased area in Madukkarai is 377.77 acres and in Walayar is 161 acres. The manpower employed at ACC Madukkarai is about and the products manufactured are 690 OPC and PPC.

### **2.1.3 HOLCIM - A NEW PARTNERSHIP**

A new association was forged between ACC and the Holcim group of Switzerland in 2005. In January 2005, Holcim announced its plans to enter into a long-term strategic alliance with the Ambuja Group by acquiring a majority stake in Ambuja Cements India Ltd. (ACIL), which at the time held 13.8 per cent of the total equity shares in ACC. Holcim simultaneously announced its bid to make an open offer to ACC



shareholders, through Holdcem Cement Pvt Limited and ACIL, to acquire a majority shareholding in ACC. An open offer was made by Holdcem Cement Pvt. Limited along with Ambuja Cements India Ltd. (ACIL), following which the shareholding of ACIL increased to 34.69 per cent of the Equity share capital of ACC. Consequently, ACIL has filed declarations indicating their shareholding and declaring itself as a Promoter of ACC. Holcim is the world leader in cement as well as being large suppliers of concrete, aggregates and certain construction-related services. Holcim is also a respected name in information technology and research and development. The group has its headquarters in Switzerland with worldwide operations spread across more than 70 countries. Considering the formidable global presence of Holcim and its excellent reputation, the Board of ACC has welcomed this new association.

## **2.1.4 CORPORATE MISSION OF ACC**

- Ensures that the customer gets the best value for money, both in terms of quality of goods at fair price and also courteous and efficient services.
- Customer satisfaction including all stake holders.
- Motivated employees.
- Strong team work.
- High productivity.
- Effective resource management.
- Safety health and environment.
- Adequate level of profitability.

### **ACC-Building the nation**

ACC has played a valid role in the development of a vibrant India. The tradition continues as we participate in building solid structures with our commitment, knowledge & technical experience. We have put over 6 decades of dedicating effort in helping build infrastructure, ushering in modern distribution & construction practices, training man power and sharing our knowledge & expertise with others. All vital ingredients providing the Indian customers with excellence in quality & services that also build a strong nation.

## **2.1.5 VISION STATEMENT**

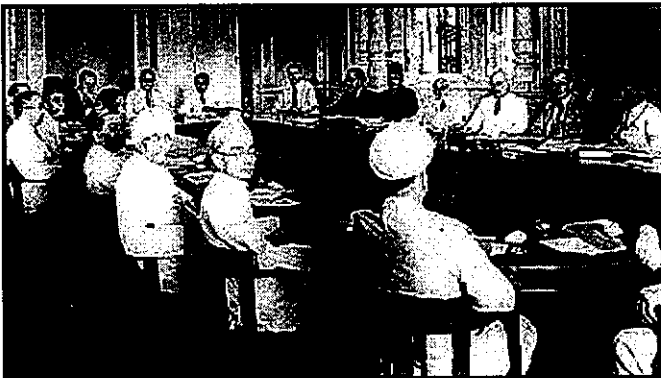
- ACC is a customer driven organization
- ACC is the most efficient cement producer
- ACC is a learning organization
- ACC inspires trust & respect
- ACC is a great place to work

## **2.1.6 QUALITY POLICY**

- To procure right quality & quantity of materials in right time and at right time.
- To manufacture and sell quality products
- To satisfy customer fully and continuously
- Continual improvement in all performance of the organization

## **2.2 BOARD OF DIRECTORS**

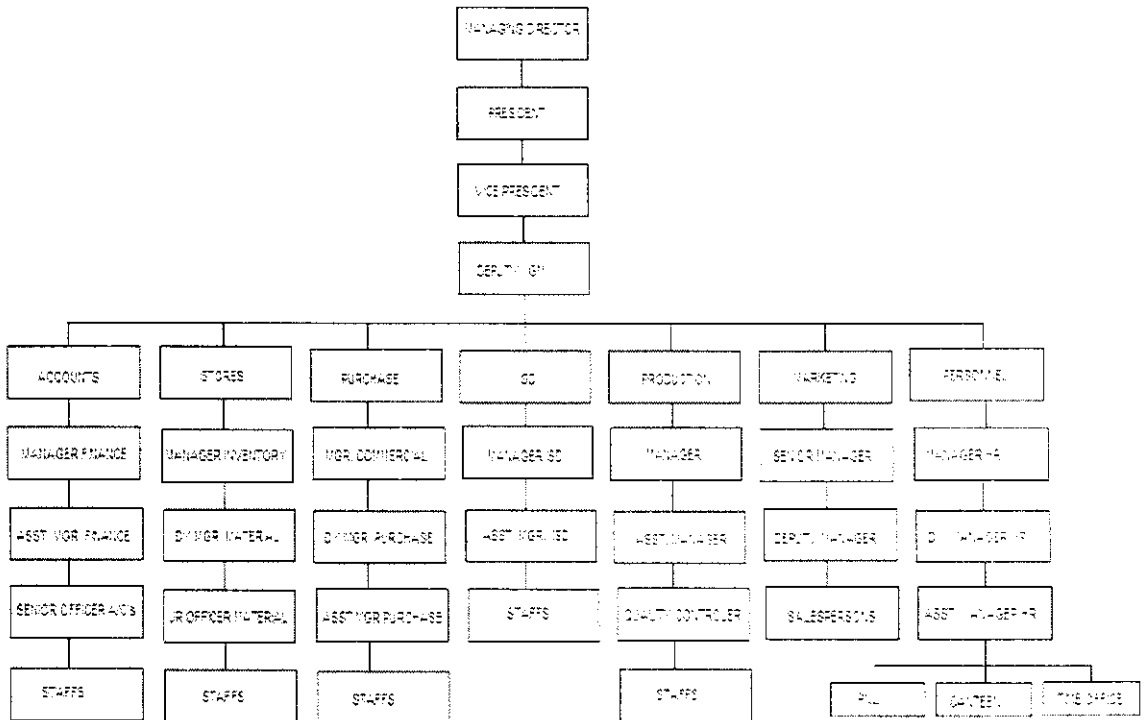
Chairman : Mr. N.S.Sekhsaria  
Deputy Chairman : Mr.Paul Hugentobler  
Managing Director : Mr.M.L.Narula  
Whole time Director : Mr. A.K.Jain



**ACC's First Board Meeting in 1936 at the Esplanade with Sir Nowroji B Saklatvala, the first chairman of ACC.**

## 2.3 ORGANISATION STRUCTURE

**Chart No. 2.1**  
**Organization**  
**Chart**



## 2.4 PRODUCT PROFILE:

Based on their composition

### 1. Ordinary Portland Cement

- ACC Cement (OPC 43 Grade)
- ACC SAMRAT (OPC 53 Grade)

### 2. Composite Cement

- ACC Suraksha
- ACC Super (slag-based blended cement)

3. National brands
4. Special cements

- SRPC (Sulphate Resisting Portland Cement)
- Oil Well Cement
- Low Alkali Cement

## **2.5 DEPARTMENTS IN ACC:**

- Purchase department
- Stores department
- Personnel department
- Production department
- Information systems department
- Accounts & finance department
- Marketing department
- Cement Dispatch department

### **2.5.1 PURCHASE DEPARTMENT**

The major functions of the purchase department are to perform the purchase activity such as raw material at the right time, at right quality and right quantity. The purchase procedure includes the following steps.

- To prepare work purchase indent for various items, raw materials and packaging bags.
- Next step is to make the purchase order
- To verify the purchased products
- Vendor development includes vendor registration, evaluation, and development and delisting those vendors who do not supply as per the specifications.
- All the above are authorized by the Tender committee
- Cash purchase is made in case of small valued items and also in case of emergency.

- Control of records includes maintaining records of the transactions made.

The major raw material for cement production is the limestone is extracted from Madukkarai and Walayar Quarry for the Madukkarai Cement Works. Coal is imported from Japan. Fly ash is obtained from the Mettur Thermal power station.

### **2.5.2 STORES DEPARTMENT**

- To receive the purchased materials and to store it for future use.
- To inspect the received materials for checking its quality and quantity.
- To safe guard the materials from damage.
- To issue correct materials for production process.
- To maintain the stores record by keeping track of all transactions.
- And finally to give timely notice the purchase department for purchase of raw materials that are out of stock.
- Inventory management is the main function of the stores department.

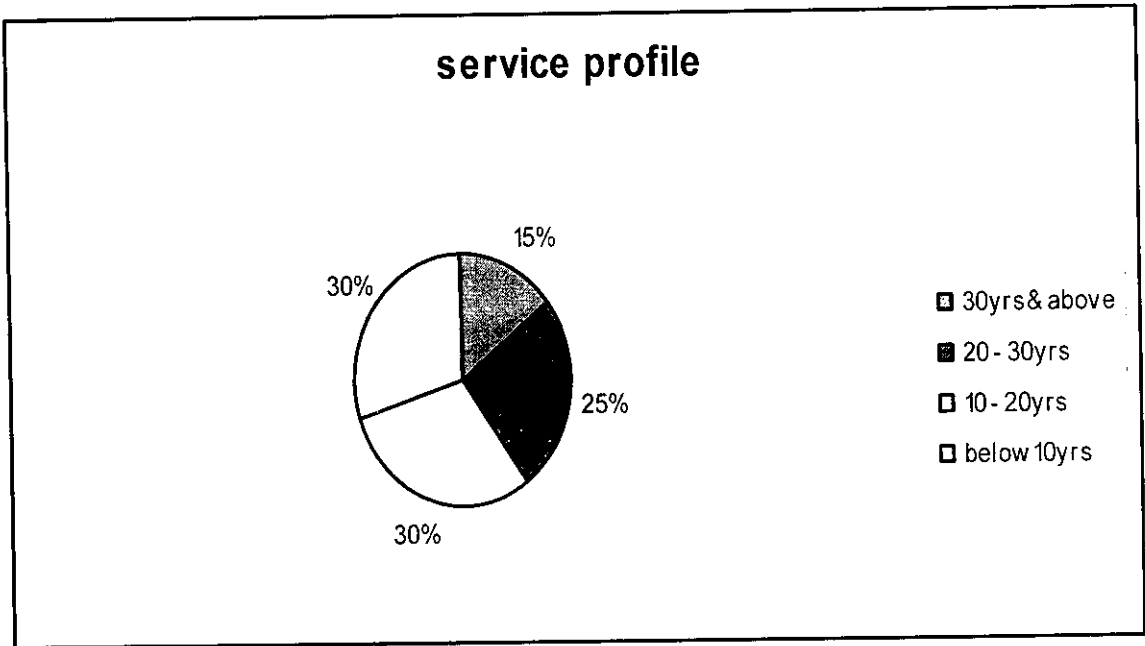
### **2.5.3 PERSONNEL DEPARTMENT**

- To take care of safety and welfare of the employees
- To maintain industrial relations
- To organize training and development programs for the employees either through in-house training or external training.
- To perform the payroll processing of all the employees of the organization.
- To administer and to maintain employee records.
- To solve industrial disputes
- To handle grievances met by the employees
- To resolve collective bargaining



**Chart No. 2.2**

**Chart showing the service profile of the employees**



**Chart No. 2.3**

**Chart showing the Skills profile of the employees**

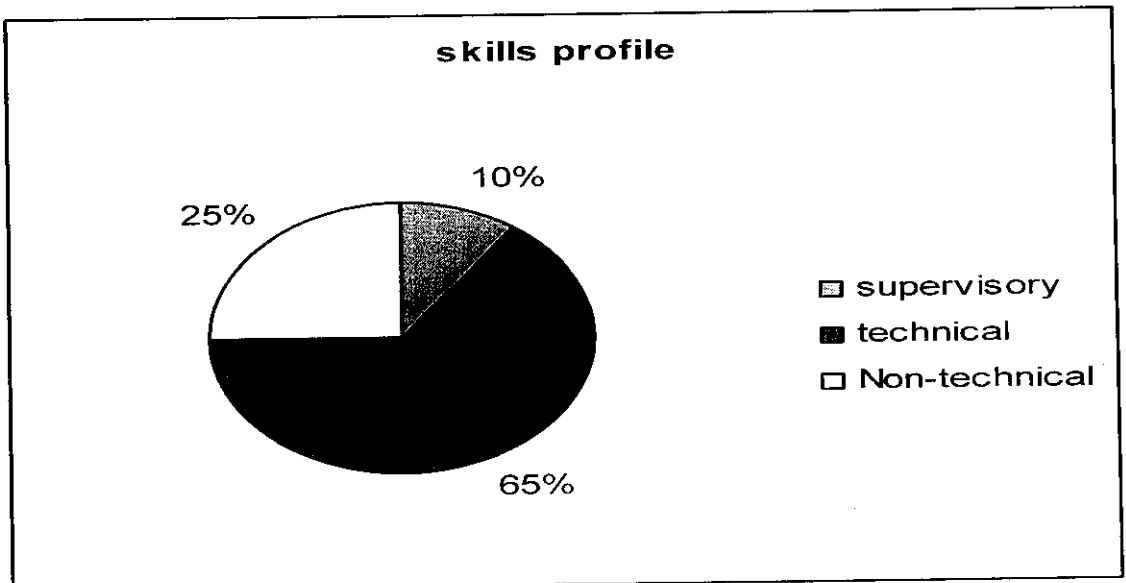
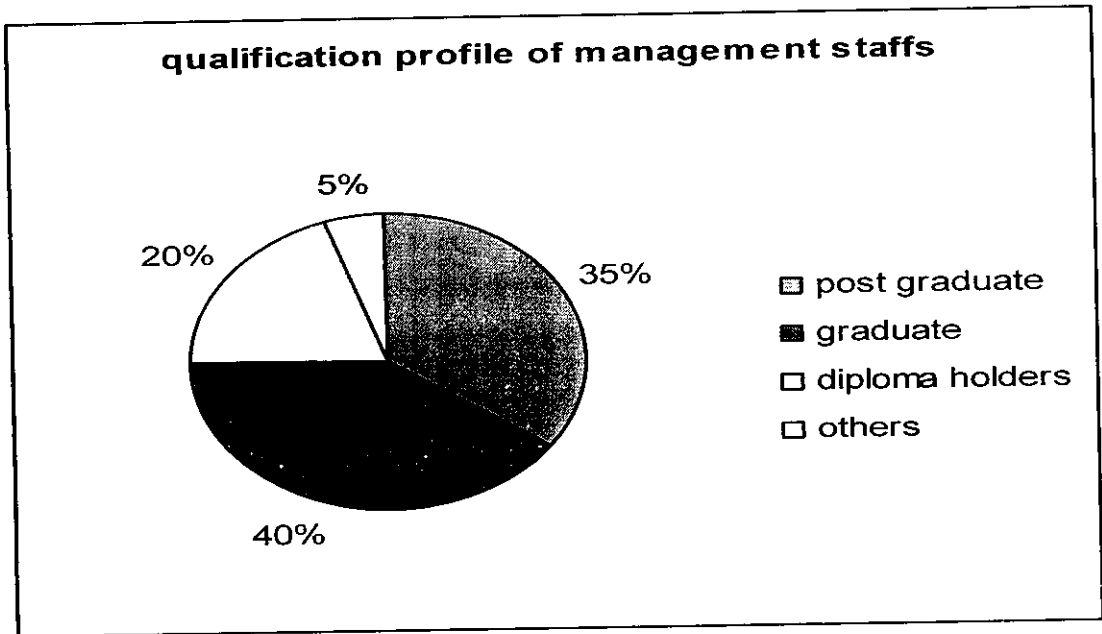


Chart No. 2.4

Chart showing the qualification profile of the management staffs



#### 2.5.4 PRODUCTION DEPARTMENT:

Production of cement involves two main processes

- Clinker Production
- Grinding

Gypsum + Clinker  $\rightarrow$  Cement

Clinker: lime (CaO) + Silica (SiO<sub>2</sub>) + Alumina (Al<sub>2</sub>O<sub>3</sub>) + Iron oxide (Fe<sub>2</sub>O<sub>3</sub>)

#### 2.5.5 INFORMATION SYSTEMS DEPARTMENT

ACC is one of the first Indian companies to realize the potential and importance of information technology and adopt automation and IT. ACC started computerizing their systems as early as 1968 - a commitment to progress through the harnessing of relevant available technologies, a habit that continues even today.

ACC has traveled a long way from the days in 1968 when it was using simple keypunching machines. Significant improvements have been made in the application systems and infrastructure. From Batch processing to on-line systems, from IBM1401 to the latest UNIX and NT based machines they have made timely transitions determined by available technologies and business requirements.

Information systems enable almost instant communication between all levels in the organization. This was achieved by installing a hybrid WAN network to reach each of their 31 locations. A judicious mix of VSAT and VPN links ensure adequate connectivity between each locations. Local connectivity to servers at each of these locations are served by switch based LANs. Optical fibres have been used at each of the manufacturing locations.

## **2.5.6 ACCOUNTS AND FINANCE DEPARTMENT**

- Preparation of financial accounts and the financial statements
- Preparing the budget for the future accounting year
- Maintaining the payroll accounts
- Maintenance of cost books
- Recording the payables, receivables and the cash flows.

## **2.5.7 MARKETING DEPARTMENT**

ACC cement factory includes 11 marketing offices, 21 area offices, 160 ware houses and 9000 dealers to support its sales activities. Major sales takes place through wholesalers and retailers. Incentives to the dealers are given in the form of trade discount and cash discounts. The major modes of advertisements are through electronic media, wall writings, and boarding. The market segmentation is done by dividing the southern region into four segments such as Coimbatore, Bangalore, Chennai and Secunderabad.



## 2.5.8 CEMENT DISPATCH SECTION

The major objective of the cement dispatch section is to dispatch the cements to the customers as per the delivery schedule. The major responsibilities of the cement dispatch section are held by the manager commercial, manager production and the officer CDS. The mode of transportation is either through road or rail. The major functions of the cement dispatch section includes input to cement dispatch section, activities performed and output is the cement dispatched from the factory

## 2.6 AWARDS & ACCOLADES

- *National Award for outstanding performance in promoting rural and agricultural development* – by ASSOCHAM
- *Sword of Honour* - by British Safety Council, United Kingdom for excellence in safety performance.
- *Indira Priyadarshini Vrikshamitra Award* --- by The Ministry of Environment and Forests for "extraordinary work" carried out in the area of afforestation.
- *FICCI Award* --- for innovative measures for control of pollution, waste management & conservation of mineral resources in mines and plant.
- *Subh Karan Sarawagi Environment Award* - by The Federation of Indian Mineral Industries for environment protection measures.
- *Drona Trophy* - By Indian Bureau Of Mines for extra ordinary efforts in protection of Environment and mineral conservation in the large mechanized mines sector.
- *Golden Peacock Environment Management Special Award* - for outstanding efforts in Environment Management in the large manufacturing sector.
- *Indira Gandhi Memorial National Award* - for excellent performance in prevention of pollution and ecological development

- ***Excellence in Management of Health, Safety and Environment*** : Certificate of Merit by Indian Chemical Manufacturers Association
- ***Good Corporate Citizen Award*** - by PHD Chamber of Commerce and Industry
- ***Jamnadal Bajaj Uchit Vyavahar Puraskar*** - Certificate of Merit by Council for Fair Business Practices
- ***Greentech Safety Gold and Silver Awards*** - for outstanding performance in Safety management systems by Greentech Foundation
- ***Rajya Sthariya Paryavaran Puraskar*** - for outstanding work in Environmental Protection and Environment Performance by the Madhya Pradesh Pollution Control Board.

## **CHAPTER 3**

### **INDUSTRY PROFILE**

#### **3.1 INTRODUCTION**

The positive outlook of the Indian economy is also reflected in the growth of Cement Industry. Demand for cement has grown by 10 per cent during the period April 2005 – January 2006, as against a growth of 8.7 per cent in the corresponding period of the previous year. During 2005, the Industry has produced and supplied over 136 million tonnes of cement, including export of 9 million tonnes of cement and clinker. The annual capacity of the Indian Cement Industry has risen to 160 million tonnes.

Over the years Indian Cement Industry has not only grown in size to emerge as the second largest cement producer in the world but has also evolved into one of the most technologically advanced cement industries of the world. It compares with the best in regard to efficiency and productivity. Customers have been the biggest beneficiary of the continuous improvements in the quality of cement produced and also delivered to the doorstep.

Indian Cement Industry has fully tapped the opportunity for export of cement and clinker due to unprecedented demand in the Gulf region. Cement Plants at or near the coast have stepped up their exports of cement by 42 per cent over last year.

#### **3.2 SWOT ANALYSIS OF ACC**

##### **3.2.1 STRENGTHS**

- Management & employees
- Infrastructure
- Recycling of dust to reduce pollution
- Health & safety
- High quality branded products

- Significant control over raw materials & Cost advantage
- Leader in domestic market
- Superior customer service
- Reliability
- Reduce the power consumption & wastage of energy by using semi-wet production process
- ISO certification 9002, 14001

### **3.2.2 WEAKNESS**

- Heavy equipment are subject to operational hazards
- Unable to purchase bauxite at reasonable cost
- Material disruption, industrial disruption
- Accidents, delays, climatic conditions

### **3.2.3 OPPORTUNITIES**

- Growth in housing sector
- Increased infrastructure
- More favorable export volumes and prices

### **3.2.4 THREATS**

- Shortage of coal & wagons
- Higher inflationary pressures & Political uncertainties

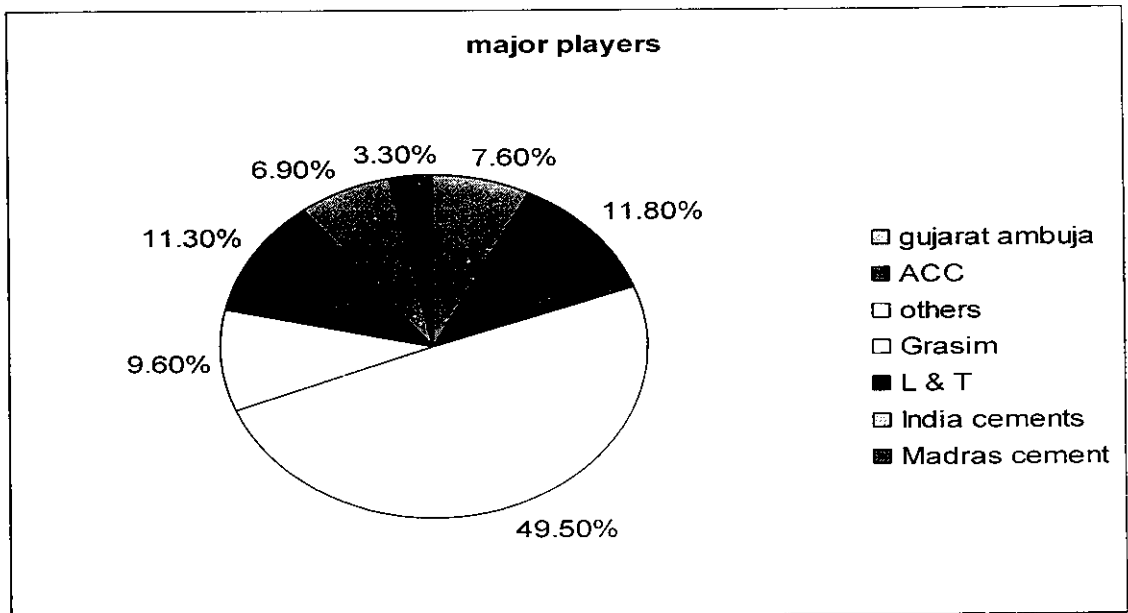
## **3.3 PLAYERS IN THE MARKET**

Over the years Indian Cement Industry has not only grown in size to emerge as the second largest cement producer in the world but has also evolved into one of the most technologically advanced cement industries of the world. It compares with the best in regard to efficiency and productivity. Customers have been the biggest beneficiary of the continuous improvements in the quality of cement produced. The

major players in the Indian market are ACC cement works, Gujarat Ambuja cements, Grasim cements, Indian cements, Madras cements and L&T Ultratech cements.

**Chart No. 3.1**

**Chart showing the major players in the market**



### 3.4 EXPORTS

Indian Cement Industry has fully tapped the opportunity for export of cement and clinker due to unprecedented demand in the Gulf region. Cement Plants at or near the coast have stepped up their exports of cement by 42 per cent over last year. The outlook for cement demand in both domestic and overseas market for 2006 looks encouraging. The country continues to have very large unfulfilled housing demand, both in rural and urban areas. Housing finance sector is maintaining its annual growth of over 30 per cent. The initiatives taken by the Government for creating or strengthening the various infrastructure sectors are expected to generate additional cement demand during 2006. Government has over the years been bringing down taxes and duties on most goods to stimulate demand and enhance competitiveness.

## **CHAPTER 4**

### **DATA ANALYSIS & INTERPRETATION**

#### **4.1 FINANCIAL STATEMENTS**

Financial statements are prepared for the purpose of presenting a periodical review or report by the management and deal with the status of the investment in the business. Thus, financial statements provide a summary of the accounts of an organization. The two major financial statements are,

- Balance Sheet
- Profit and Loss account

The balance sheet shows the financial position or condition of the firm at a given point of time. The profit and loss account or the income statement reflects the performance of the firm over a period of time. These statements are used by the investors and financial analysts to examine the firm's performance in order to make investment decisions.

#### **4.2 WORKING CAPITAL MANAGEMENT OF ACC**

Working capital analysis is an important field of financial management. This analysis will provide a base to judge whether the practice and prevailing policies of management with regard to working capital is good enough or an improvement is required for managing the working capital funds.

##### **4.2.1 COMPONENTS OF CURRENT ASSETS & CURRENT LIABILITIES**

Current assets of ACC involve inventories, sundry debtors, cash/bank balances and other current assets and loans and advances. Current liabilities involve liabilities and provisions. Working capital is the excess of current assets over current

liabilities. Higher the working capital, the more liquidity and satisfactory position. Similarly lower working capital leads to less liquidity and unsatisfactory position.

**Table No. 4.1**

**Table showing the changes in working capital**

<b>Components</b>	<b>2001-2002</b>	<b>2002-2003</b>	<b>2003-2004</b>	<b>2004-2005</b>	<b>2005</b>
<b><u>Current Assets:</u></b>					
Inventories	357.1	416.53	472.66	644	629.13
Debtors	202.07	178.95	207.05	208.59	217.87
Cash & Bank balances	37.78	45.66	113.93	87.29	106.44
Other current assets	6.04	3.15	3.56	4.65	31.5
Loans & Advances	348.54	304.76	402.52	426.76	435.94
<b>Total</b>	<b>951.53</b>	<b>949.05</b>	<b>1199.72</b>	<b>1371.29</b>	<b>1420.88</b>
<b><u>Current Liabilities:</u></b>					
Sundry Liabilities	555.54	639.9	773.44	844.34	931.93
Provisions	75.5	80.35	131.64	213.67	318.48
<b>Total</b>	<b>631.04</b>	<b>720.24</b>	<b>905.08</b>	<b>1057.41</b>	<b>1250.41</b>
<b>Net Current Assets</b>	<b>320.49</b>	<b>228.8</b>	<b>294.64</b>	<b>313.88</b>	<b>170.47</b>

## **4.3 RATIO ANALYSIS**

### **4.3.1 WORKING CAPITAL TURN OVER RATIO**

Net working capital ratio is the measure of the efficiency of the employment of the working capital. It finds out the relationship between the cost of sales and the working capital. It helps in determining the liquidity of a firm in as much as it gives the rate at which the inventories are converted to sales and then to cash. Working Capital Turnover ratio is calculated in order to analyze how working capital has been effectively utilized in making sales. The higher the ratio the lower the investment in working capital and greater the profit.

**Table No. 4.2**

**Table showing the working capital turnover ratio**

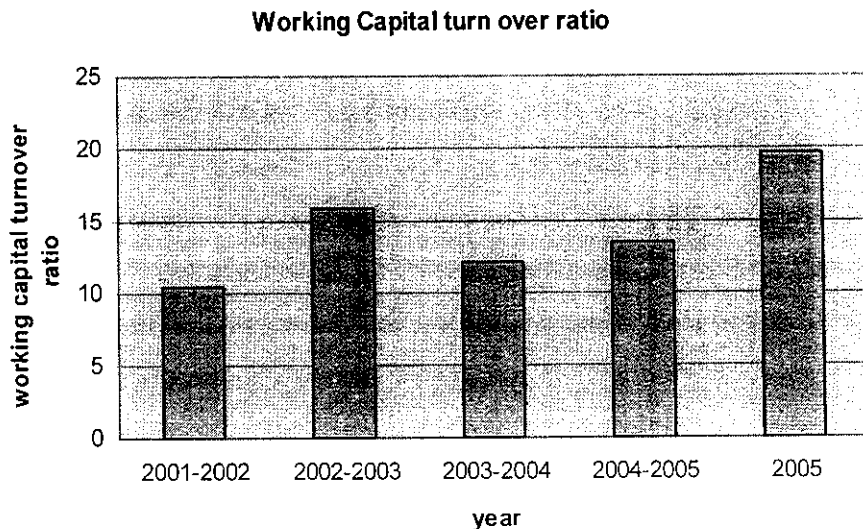
Year	Net sales	Net working capital	Ratio
2001-2002	3348.43	320.49	10.44
2002-2003	3657.01	228.8	15.98
2003-2004	3560.44	294.64	12.08
2004-2005	4227.22	313.88	13.46
2005	3363.46	170.47	19.73

## **INTERPRETATION**

The working capital ratio of ACC during the year 2001-2002 was 10.44 which have increased during the next few years. The highest net sales were in the year 2004-2005 and lowest working capital was in the year 2005. This shows that there was lowest investment and greater profit.

**Chart No. 4.1**

**Chart showing the working capital turn over ratio**





### 4.3.2 CURRENT RATIO

Current ratio may be defined as the relationship between current asset and current liabilities. This ratio is known as working capital ratio and is a measure of general liquidity. Desirable current ratio is 2:1. Current ratio of a firm represents the assets which can be converted into cash within a short period of time, not exceeding one year. Current Liabilities include liabilities and provisions which are short term maturing obligations to be net within a year. The higher the current ratio, the more the firms ability to meet current obligations and greater the safety of funds of short term creditors.

**Table No. 4.3**  
**Table showing current ratio**

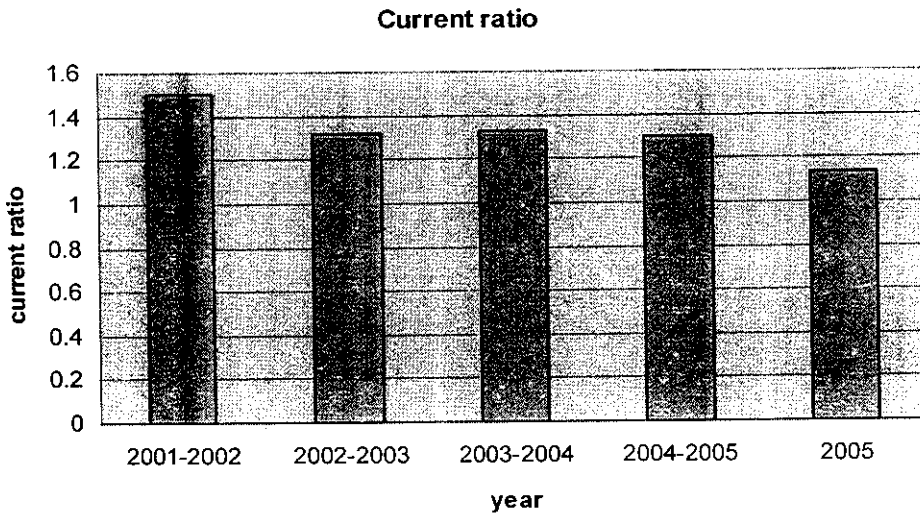
Year	Current Assets	Current Liabilities	Ratio
2001-2002	951.53	631.04	1.50
2002-2003	949.05	720.25	1.31
2003-2004	1199.72	905.08	1.32
2004-2005	1371.29	1057.41	1.29
2005	1420.88	1250.41	1.13

### INTERPRETATION

The current ratio have decreased from the year 2001 to 2005.the current assets are greater than current liabilities in all these years. This shows that the company is always maintaining the current assets more than the current liability.

**Chart No. 4.2**

**Chart showing the current ratio**



### **4.3.3 QUICK RATIO**

Quick ratio can be defined as the relationship between quick assets and current liabilities. Quick assets are cash like assets representing all current assets other than inventory. It is also called Acid test ratio. It is more severe and stringent test of a firm's ability to meet current obligations assessing how liquid the firm would be if the business operations come to an abrupt halt. A quick ratio of 1:1 is considered as a fair indication of the good financial condition of a business concern.

**Table No. 4.4**

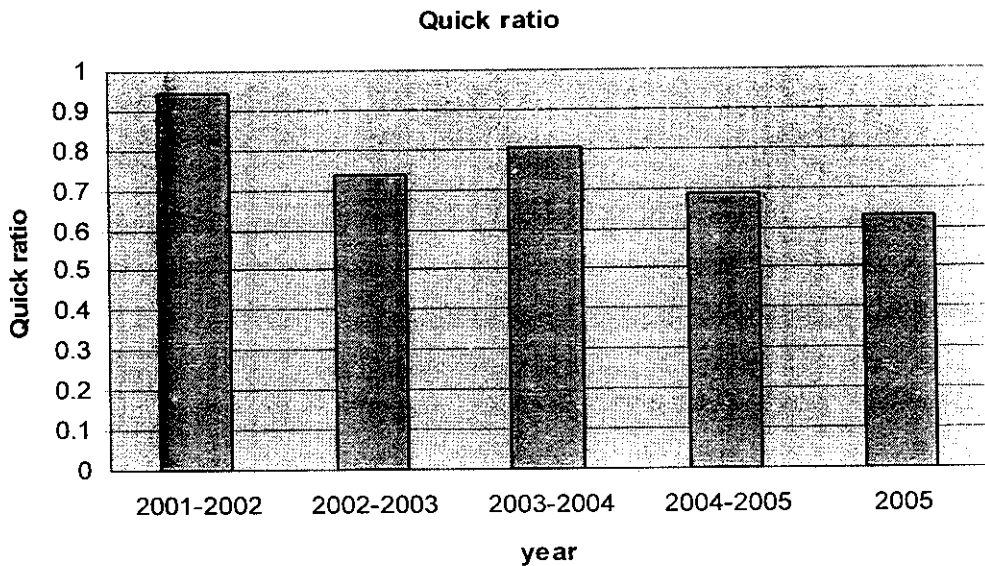
**Table showing the quick ratio**

Year	Quick Assets	Current Liabilities	Ratio
2001-2002	594.43	631.04	0.94
2002-2003	532.52	720.25	0.73
2003-2004	727.06	905.08	0.80
2004-2005	727.29	1057.41	0.68
2005	791.75	1250.41	0.63

## INTERPRETATION:

The quick ratio during the year 2001-2002 was 0.94 which was very close to the standard ratio and indicated a good financial condition of the business. Then there was a constant decrease over the years. This is because of the increase in the current liabilities.

**Chart No. 4.3**  
**Chart showing the quick ratio**



### 4.3.4 CURRENT ASSET TURN OVER RATIO

It is defined as the relation between sales and current assets of the company. It indicates the number of times current asset turned over in the business to generate sales volume and also for analyzing the efficiency with which the current asset of the company are used in the business. High ratio indicates efficient use of inventories and receivables to increase sales volume.

**Table No. 4.5**

**Table showing the current asset turnover ratio**

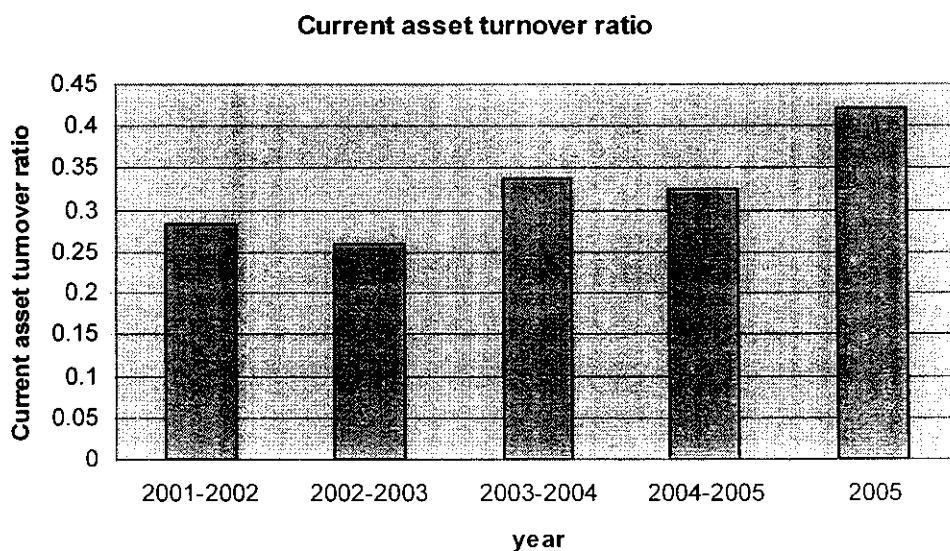
Year	Current Asset	Sales	Ratio
2001-2002	951.53	3348.43	0.28
2002-2003	949.05	3657.01	0.25
2003-2004	1199.72	3560.44	0.33
2004-2005	1371.29	4227.22	0.32
2005	1420.88	3363.46	0.42

## **INTERPRETATION**

During the year 2002-2003 the ratio was 0.25 which was the lowest among all the years. This shows the inefficient use of inventories and the current assets also was low. From the year 2003 the ratio increased and during 2005 it was 0.42 which indicates that there is an efficient use of inventories comparing to the previous years.

**Chart No. 4.4**

**Chart showing the current asset turnover ratio**



### 4.3.5 CURRENT ASSET TO TOTAL ASSET RATIO

Current asset to total asset ratio is defined as the relationship between current assets and total assets indicating the number of times the current assets utilized from total assets. The effect of the level of current assets on profitability-risk tradeoff can be shown using this ratio. An increase in the ratio indicates decline in profitability because current assets are assumed to be less profitable than fixed assets and risk of technical insolvency would be reduced. Increase in profitability is due to the corresponding increase in the total assets which are likely to generate more returns.

**Table No. 4.6**

**Table showing the current asset to total asset ratio**

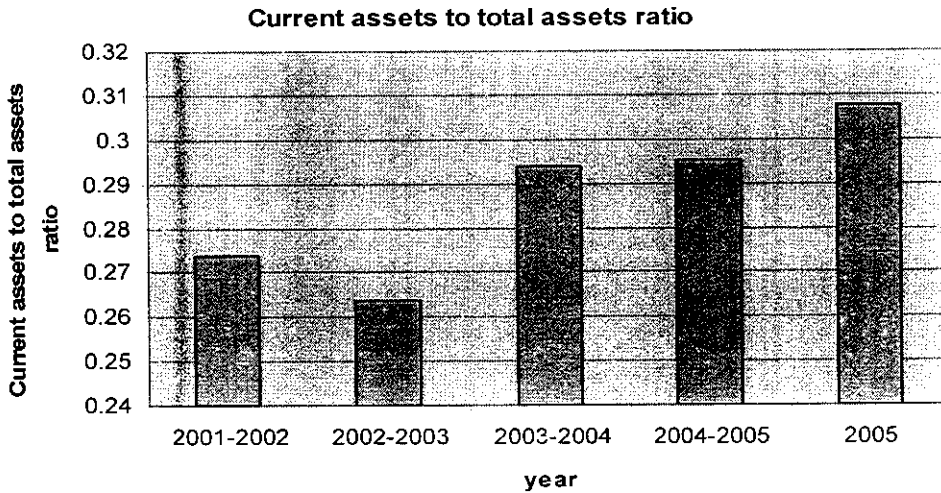
Year	Current Assets	Total Assets	Ratio
2001-2002	951.53	3477.69	0.27
2002-2003	949.05	3599.79	0.26
2003-2004	1199.72	4079.81	0.29
2004-2005	1371.29	4645.79	0.29
2005	1420.88	4615.48	0.30

### INTERPRETATION

The current assets to total assets ratio of ACC have shown a linear increase in the chart. This is because of the increase in the utilization of the current assets from total assets when compared to the previous year. It shows that company's profitability position shows slight decreasing trend. But overall profitability is satisfactory.

**Chart No. 4.5**

**Chart showing the current assets to total assets ratio**



#### **4.3.6 NET WORKING CAPITAL TO CAPITAL EMPLOYED RATIO**

Net working capital to capital employed ratio is the relationship between net working capital and capital employed. Net working capital is the difference between current assets and current liabilities. Capital employed includes share capital reserves and surplus and share application money. This ratio shows movement of working capital in relation to capital employed.

**Table No. 4.7**

**Table showing the net working capital to capital employed ratio**

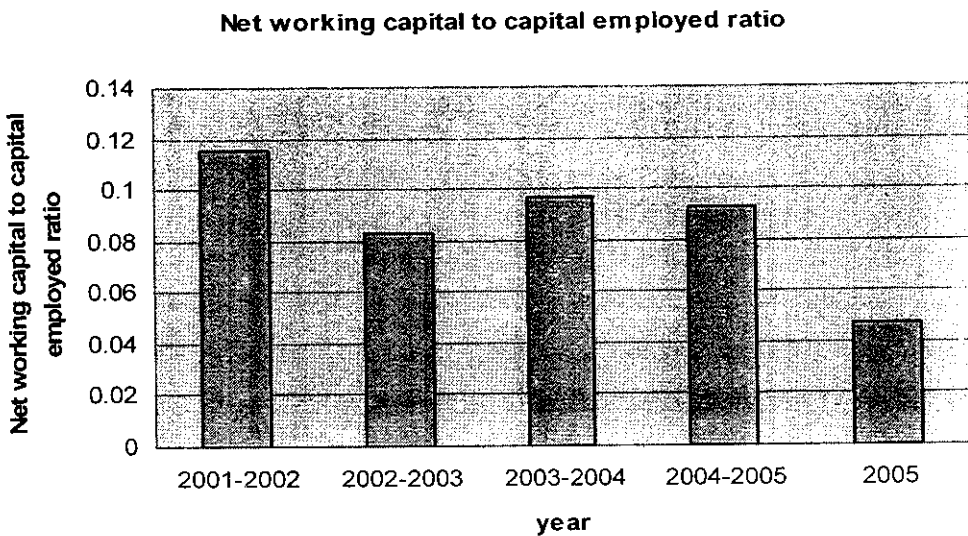
Year	Net working capital	Capital Employed	Ratio
2001-2002	320.49	2767.2	0.11
2002-2003	228.8	2758.11	0.08
2003-2004	294.64	3036.38	0.09
2004-2005	313.88	3381.5	0.09
2005	170.47	3606.89	0.04

## INTERPRETATION

The net working capital to capital employed ratio during the year 2001-2002 is 0.11. The chart shows a decreasing trend in the following years. It is because the capital employed has been increasing with respect to the previous years.

**Chart No. 4.6**

**Chart showing the net working capital to capital employed ratio**



### 4.3.7 CASH RATIO

The cash ratio is the relation between cash in hand and at bank and short term marketable securities and current liabilities. This ratio is also called absolute liquidity ratio. The ratio 1:2 is considered as satisfactory. If the ratio increases the liquidity level also increases.

**Table No. 4.8**

**Table showing the cash ratio**

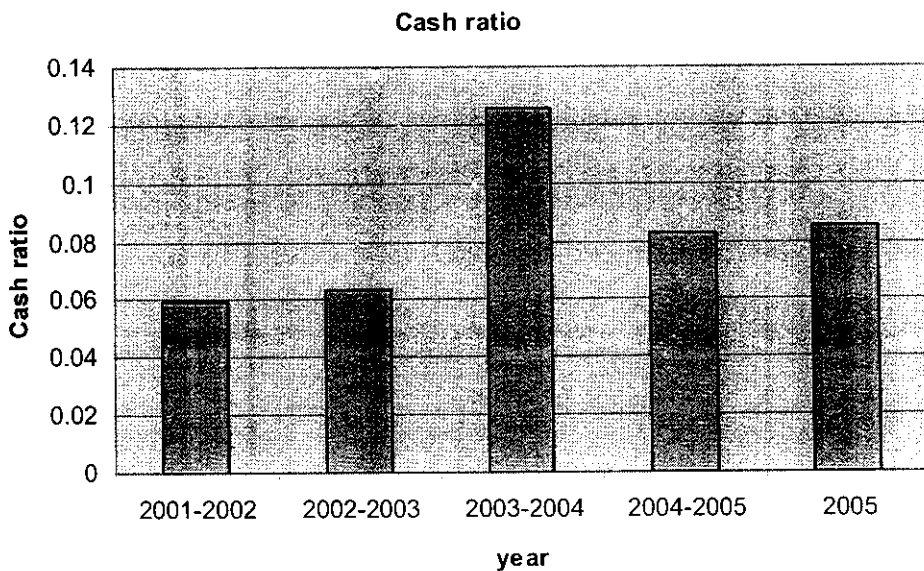
Year	Cash in hand & at bank	Current Liabilities	Ratio
2001-2002	37.78	631.04	0.059
2002-2003	45.66	720.25	0.06
2003-2004	113.93	905.08	0.12
2004-2005	87.29	1057.41	0.08
2005	106.44	1250.41	0.08

## INTERPRETATION

The cash ratio of the company shows that during the year 2001-2002 it was 0.059 and it increased for the next 2 years. This shows that the liquidity level has increased. But during the years 2004 and 2005 it decreased to 0.08 showing that the liquidity level has been adjusted.

**Chart No. 4.7**

**Chart showing the cash ratio**





### 4.3.8 CASH FLOW COVERAGE RATIO

Cash flow coverage ratio is the relationship between sum of earnings before interest and tax and depreciation and interest. It measures the relationship between what is normally available from operations of the firm and claims of the outsiders the liquidity position of a firm to serve the outsiders is reflected in the ratio. The higher the ratio, the better the ability.

**Table No. 4.9**

**Table showing the cash flow coverage ratio**

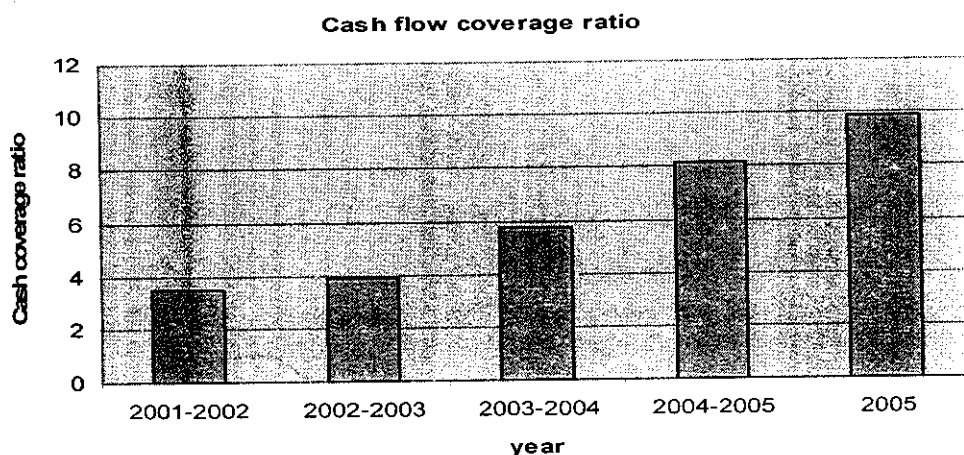
Year	EBDIT	Interest	Ratio
2001-2002	492	141	3.48
2002-2003	404	104	3.88
2003-2004	534	93	5.74
2004-2005	720	88	8.18
2005	634	64	9.90

### INTERPRETATION

The cash flow coverage ratio shows a satisfactory trend during the years 2001-2005. The earnings increase as that of the previous year and the interest is very low during the year 2005. This reveals a satisfactory position, showing better ability to service outside liabilities due to an increasing trend in cash flow coverage ratio.

**Chart No. 4.8**

**Chart showing the cash flow coverage ratio**



### **4.3.9 DEBTORS TURN OVER RATIO**

Debtor's turnover ratio is the relationship between net credit sales and average debtors. This ratio shows how quickly receivables or debtors are converted to cash. It is also called accounts receivable. Sound credit and collection period results in efficient receivables management. Net credit sales include sale of products, recoveries, excise duty adjustment and products consumed internally. The higher the ratio, the better debts are being collected more promptly.

**Table No. 4.10**

**Table showing the debtors turnover ratio**

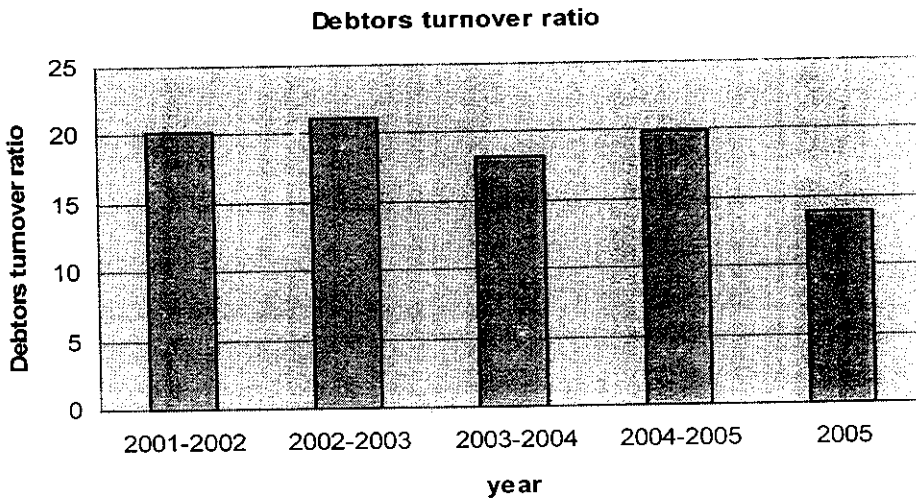
Year	Net credit sales	Average Debtors	Ratio
2001-2002	3348.43	165.41	20.24
2002-2003	3657.01	173.22	21.11
2003-2004	3560.44	195.38	18.22
2004-2005	4227.22	212.11	19.92
2005	3363.46	242.62	13.86

## INTERPRETATION

The debtors turnover ratio of ACC during 2001-02 was 20.24 and reduced to 13.86 in 2005. The ratio shows a declining trend. This was due to delay in collection of debts. This shows inefficient credit management of the company. So it is to be concluded that debtor's turnover ratio shows unsatisfactory position of ACC because of decreasing trend in the ratio.

**Chart No. 4.9**

**Chart showing the debtors turnover ratio**



### 4.3.10 AVERAGE COLLECTION PERIOD

Average collection period measures the liquidity of the firm and it is the time taken for collection of debts. It is calculated by dividing days in a year by debtor's turnover ratio. Shorter collection of debts and quick payments by debtors increase the liquidity of the firm. The longer collection period shows delayed payment by debtors and hence declining liquidity position.

**Table No. 4.11**

**Table showing the average collection period**

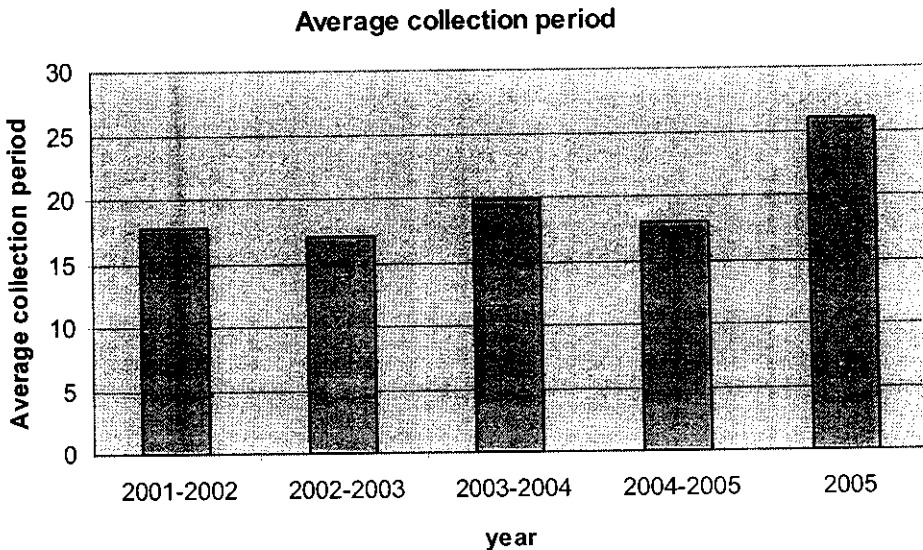
Year	Days in a year	Debtors turn over ratio	Days
2001-2002	360	20.243	18
2002-2003	360	21.111	17
2003-2004	360	18.223	20
2004-2005	360	19.929	18
2005	360	13.863	26

## INTERPRETATION

Average collection period of ACC during 2001-02 was 18 days; it has decreased to 17 days in 2002-03 again to 20 and 18 in 2003-04 and 2004-05 and finally increased to 26 days. This increase was due to the inefficiency in managing debtors by company.

**Chart No. 4.10**

**Chart showing the average collection period**



### 4.3.11 DEBT EQUITY RATIO

It is the relationship between long term debts to net worth. Long term debt is an outside liability inclusive of loan fund. Loan fund involves secured loans and unsecured loan. Net worth is share holders equity inclusive of share capital, reserves and surplus. This ratio indicates the relative proportion of debt and equity in the financial assets of the firm. A debt- equity ratio of 2:1 is considered as ideal. A higher ratio increases risk to the creditors, inflexibility in operations of the firm and encounter serious difficulties in raising funds in future, lesser margin of safety and larger claim against assets of the firm.

**Table No. 4.12**

**Table showing the debt equity ratio**

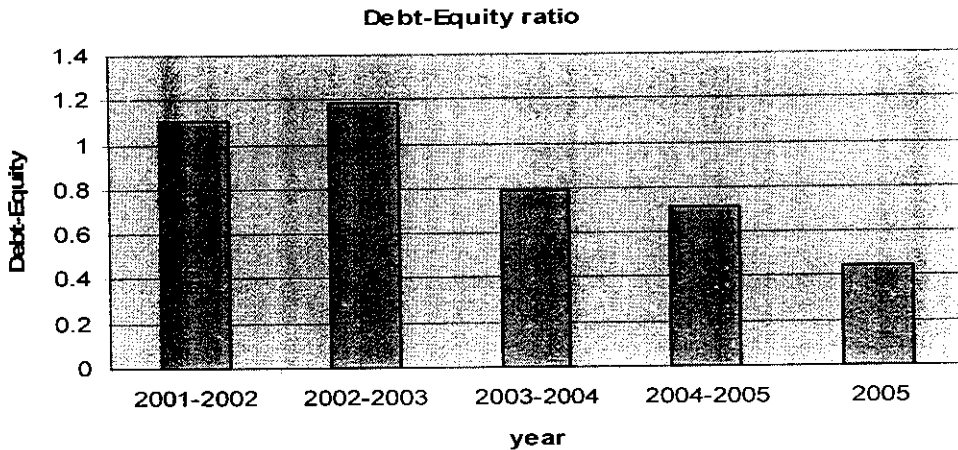
Year	Long term debt	Share Holders Equity	Ratio
2001-2002	1166.95	1049.89	1.11
2002-2003	1333.75	1123.28	1.18
2003-2004	1117.78	1413.66	0.79
2004-2005	1194.44	1680.42	0.71
2005	954.27	2151.73	0.44

### INTERPRETATION

During 2001-02 the ratio is 1.11 and it has increased to 1.18 in 2002-2003 and there was a decreasing trend to 0.79, 0.71 and 0.44 during the years 03-04, 04-05 and 05 respectively. The lower ratio was found in the year 2005 which shows the satisfactory risk to creditors and high margin of safety and protection against shrinkage of assets. This was due to reduced long term debt and increased net worth. So the debt equity ratio reveals good signal to the company.

**Chart No. 4.11**

**Chart showing the debt-equity ratio**



### **4.3.12 INVENTORY TURN OVER RATIO**

Inventory turnover ratio is the number of times the inventory is turned over in the business during a particular period and it measures the relationship between sales and average inventory. This ratio measures how quickly inventory is sold and indicates whether investment in inventory is within proper limits or not, signifying the liquidity of the inventory. Higher the ratio more the sales and minimum level of inventory is held and hence possessing good inventory management.

**Table No. 4.13**

**Table showing the inventory turnover ratio**

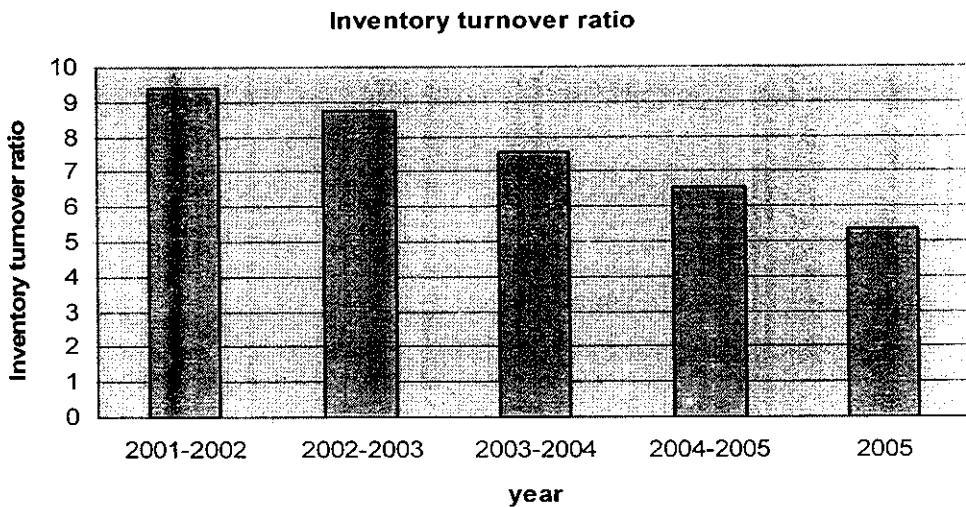
Year	Sales	Average Inventory	Ratio
2001-2002	3348.43	357.1	9.37
2002-2003	3657.01	416.53	8.77
2003-2004	3560.44	472.66	7.53
2004-2005	4227.22	644	6.56
2005	3363.46	629.13	5.34

## INTERPRETATION

During the year 2001-02 the inventory turnover ratio was 9.37. It shows a decreasing trend there after. The lowest ratio was during 2005 and was 5.34 because of decrease in sales and maximum level of inventory held on stock.

**Chart No. 4.12**

**Chart showing the inventory turnover ratio**



### 4.3.13 ACCOUNTS RECEIVABLE TO CURRENT ASSETS RATIO

Accounts receivable to current asset ratio is defined as the relationship between Sundry Debtors and Current Assets. This ratio reveals that the percentage of Accounts Receivables that occupies the total of Current Assets. Higher ratio means higher debts are collected and included in Current Assets in order to increase liquidity of the firm.

**Table No. 4.14**

**Table showing the accounts receivables to current assets ratio**

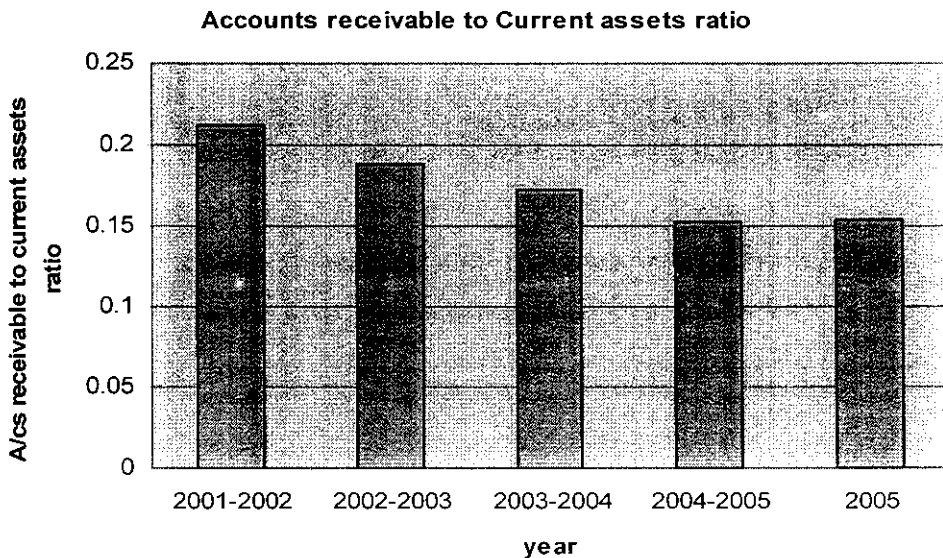
Year	Accounts Receivable	Current Assets	Ratio
2001-2002	202.07	951.53	0.21
2002-2003	178.95	949.05	0.18
2003-2004	207.05	1199.72	0.17
2004-2005	208.59	1371.29	0.152
2005-2006	217.87	1420.88	0.153

## INTERPRETATION

The highest ratio was during the year 2001-2002 and there is a decreasing trend in the next few years which reveals difficulty in collecting debts and less receivables are included in the Current Assets which decrease the liquidity of the firm.

**Chart No. 4.13**

**Chart showing the accounts receivables to current assets ratio**





#### 4.3.14 CURRENT LIABILITIES TO TOTAL ASSETS RATIO

Current Liability to Total Assets ratio is defined as the relationship between Current Liabilities and Total Assets. An increase in this ratio would be increase in profitability and risk and decline in cost because of use of more short term sources of finance which are less expensive.

**Table No. 4.15**

**Table showing the current liabilities to total assets ratio**

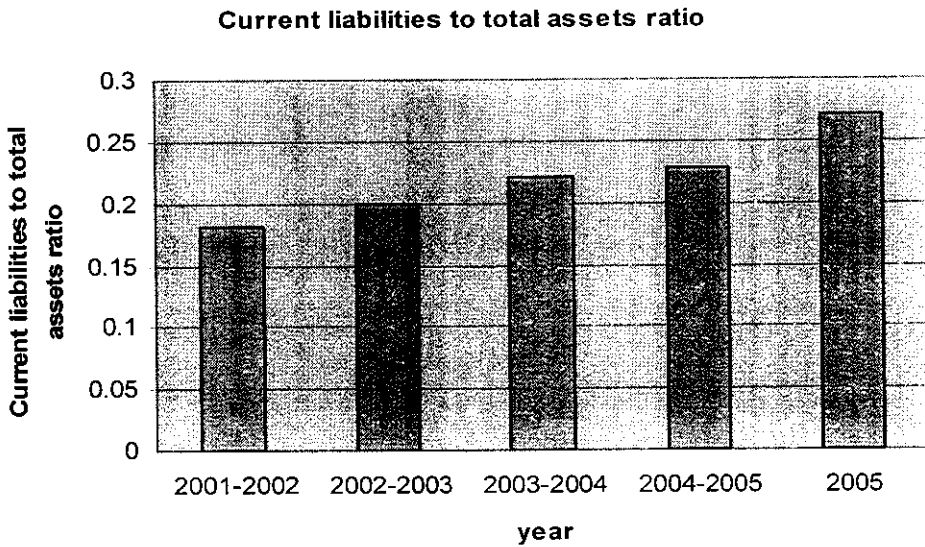
Year	Current Liabilities	Total Assets	Ratio
2001-2002	631.04	3477.69	0.18
2002-2003	720.25	3599.79	0.20
2003-2004	905.08	4079.81	0.22
2004-2005	1057.41	4645.79	0.22
2005	1250.41	4615.48	0.27

#### INTERPRETATION

During the year 2001-2002 the ratio was 0.18 and it increased to 0.20, 0.22 and finally to 0.27. This shows a constant increase in the current liabilities to total assets ratio which is an indication of satisfactory position of the company.

**Chart No. 4.14**

**Chart showing the current liabilities to total assets ratio**



#### **4.3.15 FIXED ASSET TURN OVER RATIO:**

Fixed asset turnover ratio is the relationship between fixed assets and sales. The increase in fixed asset may cause increase in the financial position of the company. An increase in this ratio will lead to increase in sales and the management of fixed assets will be easier.

**Table No. 4.16**

**Table showing the fixed asset turnover ratio**

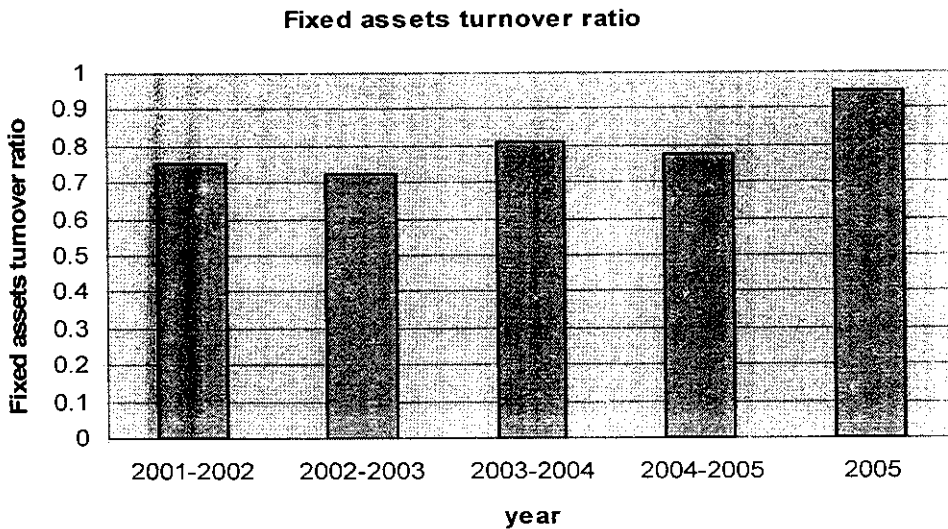
Year	Fixed Assets	Sales	Ratio
2001-2002	2526.16	3348.43	0.75
2002-2003	2650.74	3657.01	0.72
2003-2004	2880.09	3560.44	0.80
2004-2005	3274.5	4227.22	0.77
2005	3194.6	3363.46	0.94

## INTERPRETATION

The chart shows there is a gradual increase in the fixed asset turnover ratio. During the year 2001-2002 it was 0.75 which increased to 0.94 in the year 2005. This shows that the financial position of the company is good.

**Chart No. 4.15**

**Chart showing the fixed assets turnover ratio**



### 4.3.16 INVENTORY TO WORKING CAPITAL RATIO

Inventory to working capital ratio is the relationship between the stock in hand or inventory and the net working capital. The net working capital is the difference between current assets and current liabilities. Higher ratio indicates the efficient use of the working capital and continuous supply of inventory.

**Table No. 4.17**

**Table showing the inventory to working capital ratio**

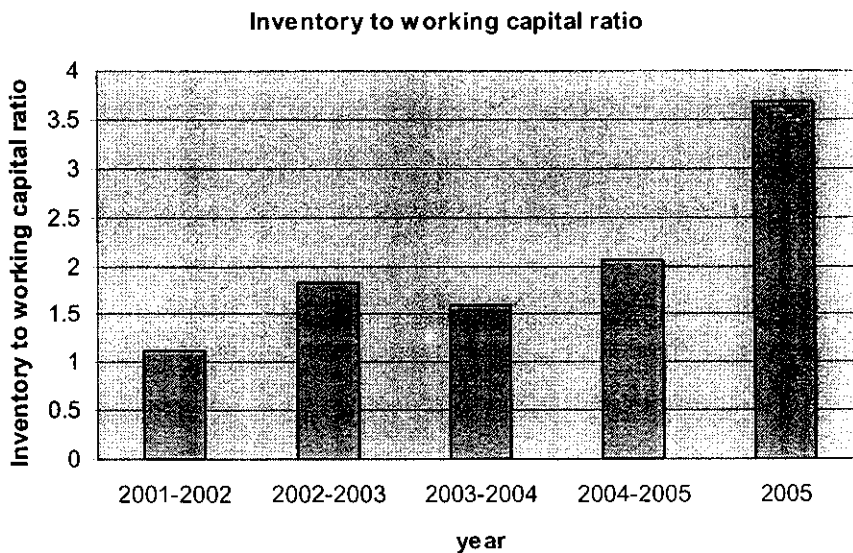
Year	Inventory	Working Capital	Ratio
2001-2002	357.1	320.49	1.11
2002-2003	416.53	228.8	1.82
2003-2004	472.66	294.64	1.60
2004-2005	644	313.88	2.05
2005	629.13	170.47	3.69

## INTERPRETATION

During the year 2001-2002 the ratio was 1.11 and had a gradual increase to 3.69 during 2005. This indicates the efficient use of working capital and higher supply of inventory.

**Chart No. 4.16**

**Chart showing the inventory to working capital ratio**



### 4.3.17 TRADE RECEIVABLES TO WORKING CAPITAL RATIO

Trade receivables to working capital ratio are the relationship between sundry debtors and working capital. It is calculated by dividing trade receivables by working capital. This ratio indicates how many times during a given period, the average working capital has been utilized to enable the company in collecting its debts. The higher ratio, higher investment in working capital so the position of the company will be weak. The lower the ratio the position of the company will be satisfactory.

**Table No. 4.18**

**Table showing the trade receivables to working capital ratio**

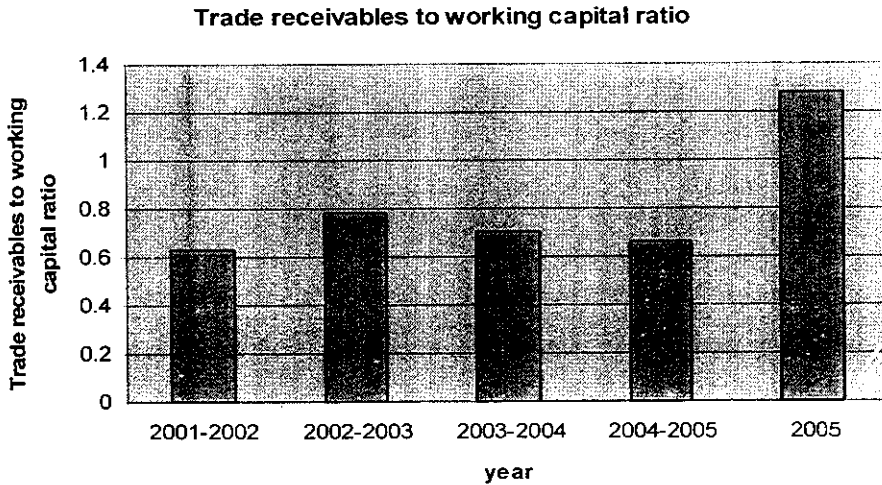
Year	Trade Receivables	Working Capital	Ratio
2001-2002	202.07	320.49	0.63
2002-2003	178.95	228.8	0.78
2003-2004	207.05	294.64	0.70
2004-2005	208.59	313.88	0.66
2005	217.87	170.47	1.27

### INTERPRETATION

The ratio is increasing as compared to the previous years. This shows that the investment in the working capital is higher and the position of the company is weak.

**Chart No. 4.17**

**Chart showing the trade receivables to working capital ratio**



#### **4.4 TREND ANALYSIS**

A trend means a basic tendency of a series to grow or decline over a period of time. The concept of trend doesn't include short range oscillation, but rather a steady movement over a long time. The tendency of a particular data to grow over a period of time is known as growth factor. On the other hand the tendency of economic data to fall over a period of time is declining factor. The trend has either growth factor or declining factor. It may have either upward or downward movement.

#### **4.5 PROJECTIONS FOR THE YEARS 2006 AND 2007**

The Method of Least Squares has been used for making projections for net working capital, sales, current assets, current liabilities and expenses. By the method of least squares a straight line trend can be fitted to a given time series of data. It is mathematical as well as analytical data. The trend line is called the line of best fit. The actual figures and the trend values have been plotted in a graph. The following items have been projected.

## 4.5.1 NET WORKING CAPITAL

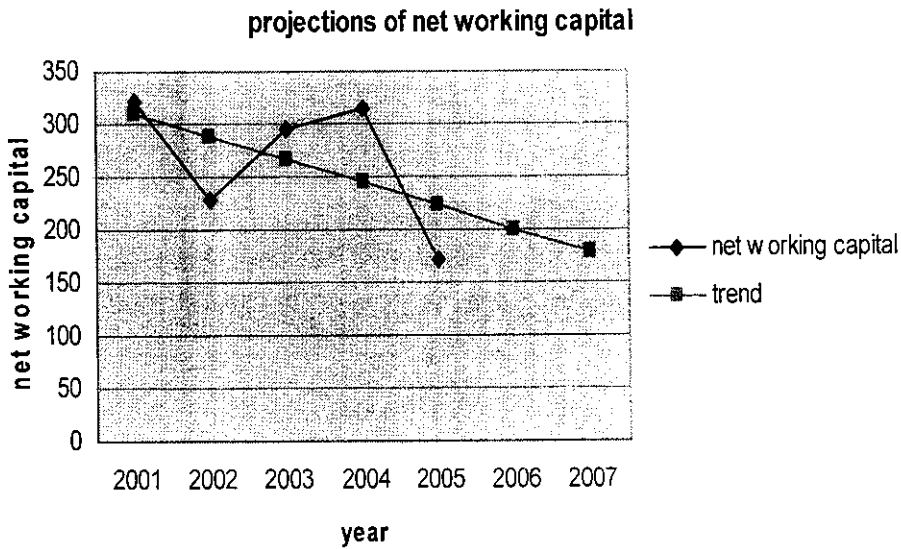
Table No. 4.19

Table showing the projections of net working capital

year	net working capital(y)	deviation(x)	x <sup>2</sup>	xy	trend
2001	320.49	-2	4	-640.98	308.648
2002	228.8	-1	1	-228.8	287.152
2003	294.64	0	0	0	265.656
2004	313.88	1	1	313.88	244.16
2005	170.47	2	4	340.94	222.664
2006		3			201.168
2007		4			179.672

Chart No. 4.18

Chart showing the projections of net working capital

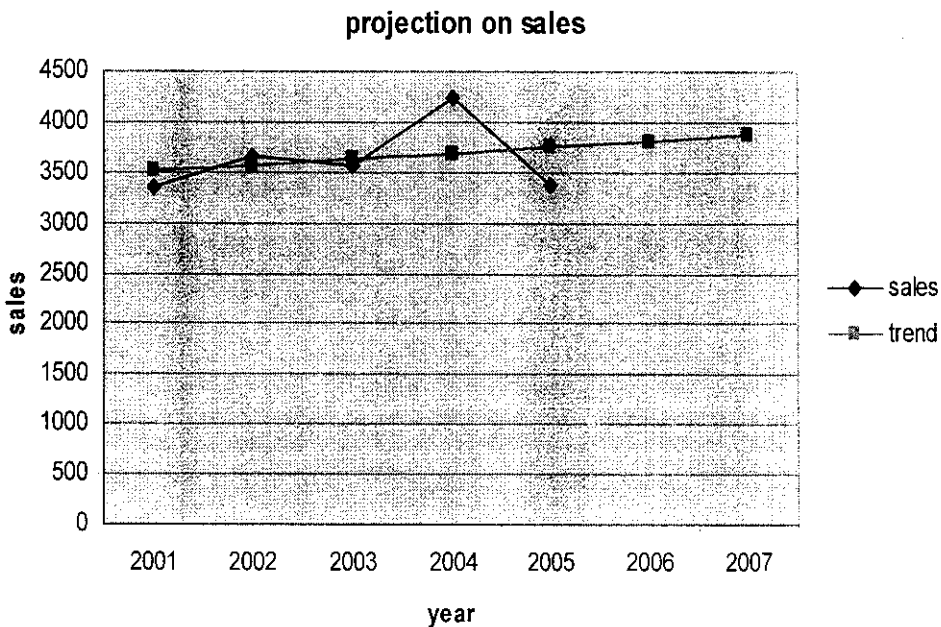


## 4.5.2 SALES

**Table No. 4.20**  
**Table showing the projections of sales**

year	sales	deviation	x2	xy	trend
2001	3348.43	-2	4	6696.86	3511.258
2002	3657.01	-1	1	3657.01	3571.285
2003	3560.44	0	0	0	3631.312
2004	4227.22	1	1	4227.22	3691.339
2005	3363.46	2	4	6726.92	3751.366
2006		3			3811.393
2007		4			3871.42

**Chart No. 4.19**  
**Chart showing the projections of sales**





### 4.5.3 CURRENT ASSETS

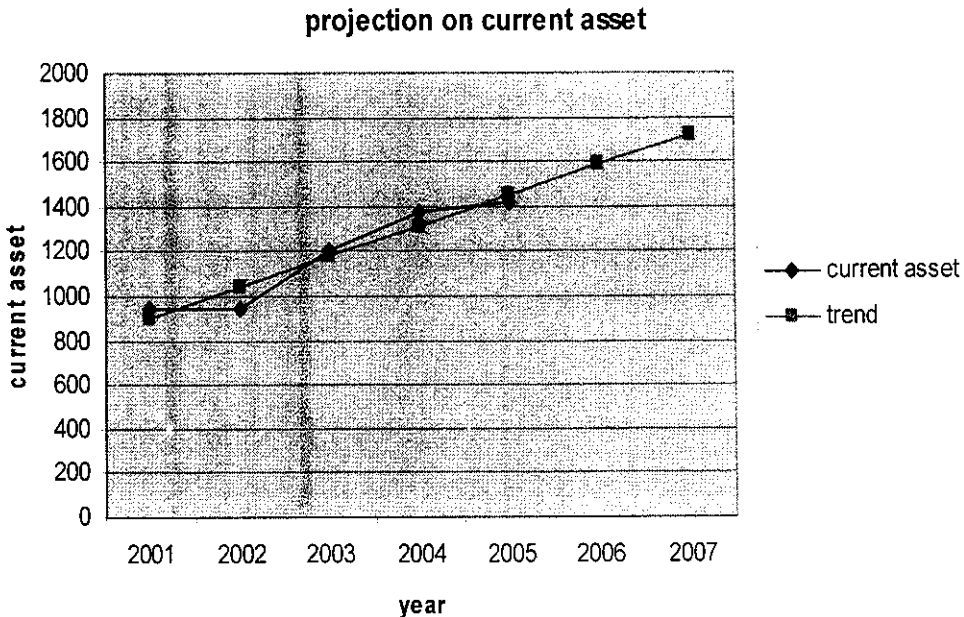
**Table No. 4.21**

**Table showing the projections of current assets**

year	current asset	deviation	x2	xy	trend
2001	951.53	-2	4	-1903.06	906.306
2002	949.05	-1	1	-949.05	1042.4
2003	1199.72	0	0	0	1178.494
2004	1371.29	1	1	1371.29	1314.588
2005	1420.88	2	4	2841.76	1450.682
2006		3			1586.776
2007		4			1722.87

**Chart No. 4.20**

**Chart showing the projections of current assets**



## 4.5.4 CURRENT LIABILITIES

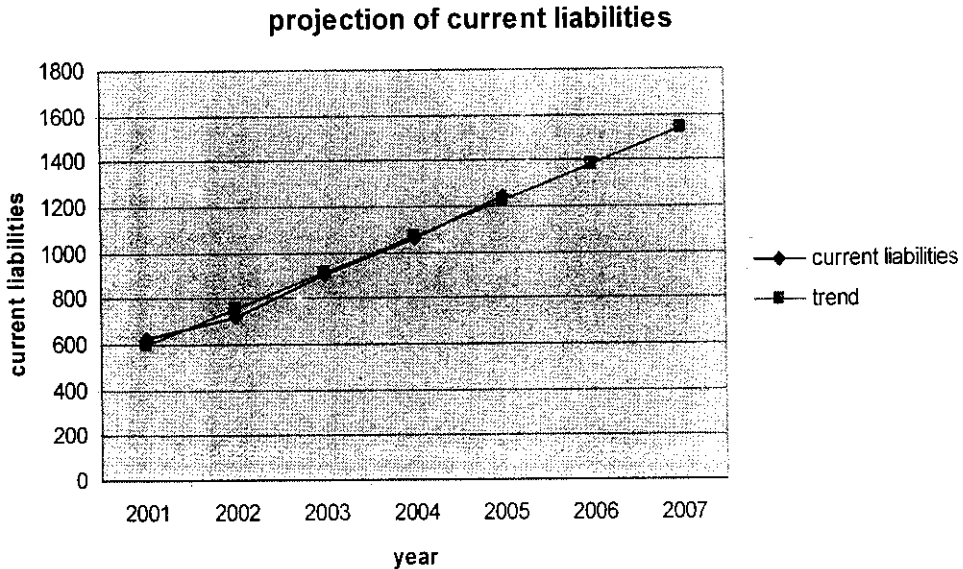
Table No. 4.22

Table showing the projections of current liabilities

year	current liabilities	deviation	x <sup>2</sup>	xy	trend
2001	631.04	-2	4	-1262.08	597.658
2002	720.25	-1	1	-720.25	755.248
2003	905.08	0	0	0	912.838
2004	1057.41	1	1	1057.41	1070.428
2005	1250.41	2	4	2500.82	1228.018
2006		3			1385.608
2007		4			1543.198

Chart No. 4.21

Chart showing the projections of current liabilities



## 4.5.5 EXPENSES

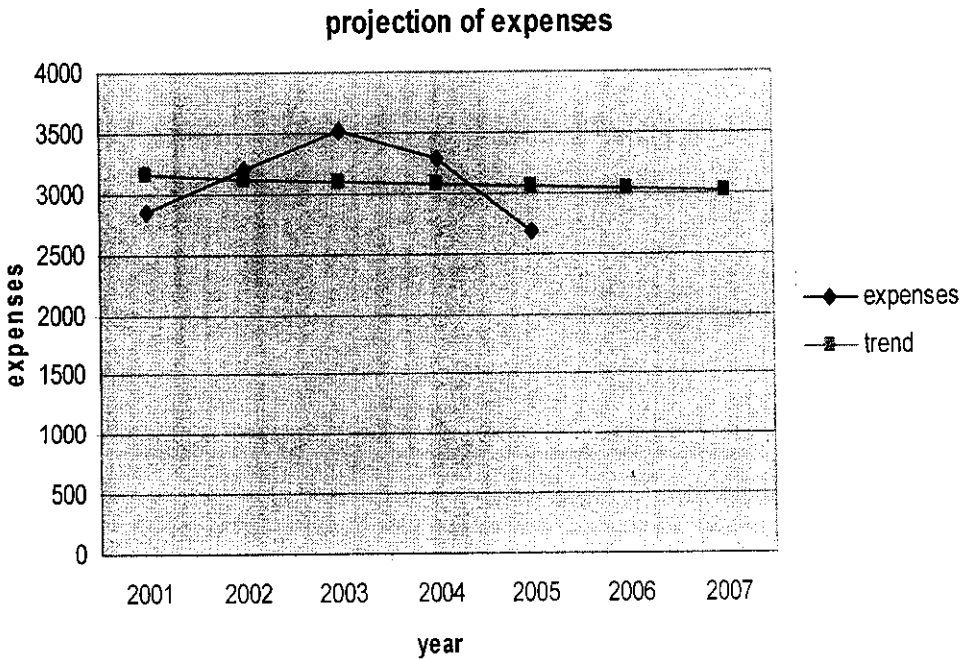
**Table No. 4.23**

**Table showing the projections of expenses**

year	expenses	deviation	x2	xy	trend
2001	2840.69	-2	4	-5681.38	3152.542
2002	3203.72	-1	1	-3203.72	3129.193
2003	3518.23	0	0	0	3105.844
2004	3281.55	1	1	3281.55	3082.495
2005	2685.03	2	4	5370.06	3059.146
2006		3			3035.797
2007		4			3012.448

**Chart No. 4.22**

**Chart showing the projections of expenses**



## **CHAPTER 5**

### **CONCLUSIONS**

#### **5.1 RESULTS AND DISCUSSIONS**

- Net worth of the company has increased substantially in the period of five that was compared from 2001-2005.
- The market capitalization of the company have increased tremendously from 2001 to 2005
- The increasing trend in the year 2005 after the amalgamation of ACC with Holcim, the multinational cement manufacturing company, has shown the increase in sales and the profit and thereby the substantial increase in the performance of the company.
- The study reveals that the debtor's turnover is increased and thereby an increase in the average debt collection period indicates an unsatisfactory position of the trade receivables position. This was mainly due to the increase in the price of the product due to the unavailability of the raw materials like fly ash and coal.
- Efficient inventory management was revealed through the inventory turnover ratio.

#### **5.2 CONSIDERED RECOMMENDATIONS**

- The debtor's turnover was found to have a decreased trend which was mainly due to the increase in the price of the product.
- The average collection period could be reduced by reducing the price of the product. This can be done by having sufficient stock of the scarce raw materials so as to avoid the discrepancies of lack of raw materials. Thus the loss of bad debts could be minimized.
- The sales which were declined in the last year due to the rise in the price could be increased by decreasing the price of the product.

- The debt-equity ratio which was in a declining trend until 2004-05 had a steep rise in the next year. The debt-equity ratio must be maintained in an appropriate proportion so as to avoid the risk.

### 5.3 CONCLUSION

The financial performance of The Associated Cement Companies is in a good and acceptable position. The study reveals that the firm has increased sales which results in the increased profitability. From the analysis it is obvious that the company has an upward trend. The company is maintaining a good liquidity position to meet all its current obligations. Though there were slight deviation in the financial year 2002-03, still the overall profitability was high, which shows that the company has a good growth trend. Thus the company ensures the shareholders wealth maximization which is the major objective of the company.



P-2025

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# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2003

	Schedules	Page Nos.	Rs. Crore	Rs. Crore	Previous year Rs. Crore
<b>I. SOURCES OF FUNDS :</b>					
1. SHAREHOLDERS' FUNDS					
(a) Share Capital .....	A	101	171.14		171.05
(b) Reserves and Surplus .....	B	102	952.14		878.84
				1,123.28	1,049.89
				32.70	30.99
2. MINORITY INTEREST					
3. LOAN FUNDS					
(a) Secured Loans .....	C	103	1,333.75		1,166.95
(b) Unsecured Loans .....	D	103	121.31		413.08
				1,455.06	1,580.03
				92.38	79.86
				248.23	238.82
4. STOCKISTS' DEPOSITS (UNSECURED) .....					
5. DEFERRED TAX LIABILITY (Net) .....				2,951.65	2,979.59
6. TOTAL FUNDS .....					
<b>II. APPLICATION OF FUNDS :</b>					
1. FIXED ASSETS .....	E	104			
(a) Gross Block .....			3,964.08		3,652.50
(b) Less- Depreciation .....			1,400.47		1,224.29
(c) Net Block .....			2,563.61		2,428.21
(d) Capital Work in Progress, etc. ....			87.13		97.95
				2,650.74	2,526.16
				12.72	53.70
2. INVESTMENTS .....	F	105 & 106			
3. CURRENT ASSETS, LOANS AND ADVANCES					
(a) Inventories .....	G	107	416.53		357.10
(b) Sundry Debtors .....	H	108	178.95		202.07
(c) Cash and Bank Balances .....	I	109	45.66		37.78
(d) Other Current Assets .....	J	109	3.15		6.04
(e) Loans and Advances .....	K	110	304.76		348.54
			949.05		951.53
4. LESS - CURRENT LIABILITIES AND PROVISIONS					
(a) Sundry Liabilities .....	L	111	639.90		555.54
(b) Provisions .....	M	111	80.35		75.50
			720.25		631.04
				228.80	320.45
5. NET CURRENT ASSETS .....				59.39	79.24
6. MISCELLANEOUS EXPENDITURE .....	N	111			
(to the extent not written off or adjusted)					
				2,951.65	2,979.59
7. TOTAL ASSETS (NET) .....					
8. NOTES ON ACCOUNTS .....	O	112 to 121			

Per our report attached  
For A.F.FERGUSON & CO.  
Chartered Accountants  
B.P.SHROFF  
Partner

For K.S.AIYAR & CO.  
Chartered Accountants

RAGHUVIR M. AIYAR  
Partner  
Mumbai, May 2, 2003

TARUN DAS  
Chairman

M.L.NARULA  
Managing Director  
P.K.SINOR  
Whole-time Director &  
Company Secretary

N.S.SEKHSARIA  
Deputy Chairman

A. K. JAIN  
Whole-time Director

N.H.ITALIA  
President Finance

N.A.SOONAWALA  
O.P. DUBEY  
A.L.KAPUR  
S .M.PALIA  
CYRIL S. SHROFF  
AMITABHA GHOSH  
P.V.RAO  
Directors

For and on behalf of the Board,



# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003

	Schedules	Page Nos.	Rs. Crore	Rs. Crore	Previous year Rs. Crore
<b>INCOME:</b>					
1. SALE OF PRODUCTS AND OTHER INCOME .....	1	98	3657.01		3,348.43
2. SHARE OF EARNINGS OF ASSOCIATES .....			(1.02)		(2.42)
				3,655.99	3,346.01
<b>EXPENDITURE:</b>					
3. MANUFACTURING AND OTHER EXPENSES .....	2	99 & 100	3203.72		2,840.69
4. DEPRECIATION .....			181.73		163.56
5. INTEREST .....	3	100	112.97		150.56
				3498.42	3,154.81
MINORITY INTEREST .....				157.57	191.20
				(2.41)	(0.66)
				155.16	190.54
<b>PROFIT/(LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>					
<b>EXCEPTIONAL ITEMS</b>					
6. WRITE DOWN OF VALUE OF ASSETS .....				(13.21)	(25.00)
( See Note 14, Page 119)					(4.00)
7. PROVISION FOR CONTINGENCIES .....					141.95
					161.54
<b>PROFIT/(LOSS) AFTER EXCEPTIONAL ITEMS BEFORE TAX</b>					
8. PROVISION FOR TAXATION -					(13.49)
(i) CURRENT TAX .....			(11.18)		(20.80)
(ii) DEFERRED TAX .....			(9.42)		(34.29)
				(20.60)	127.25
				121.35	127.25
<b>PROFIT/(LOSS) AFTER TAXATION AND EXCEPTIONAL ITEMS</b>					
<b>BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR</b>					
				13.58	2.72
				134.93	129.97
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>					
<b>APPROPRIATIONS:</b>					
9. GENERAL RESERVE .....			11.72		15.00
10. AMORTIZATION RESERVE .....			0.16		0.15
11. PROPOSED DIVIDEND .....			42.73		51.24
12. TAX ON DISTRIBUTED PROFITS .....			6.06		—
13. TRANSFERRED TO DEBENTURE REDEMPTION RESERVE .....					50.00
				60.67	116.30
				74.26	13.58
<b>BALANCE CARRIED TO BALANCE SHEET</b>					
14. NOTES ON ACCOUNTS .....	O	112 to 121			
<b>15. EARNINGS PER SHARE (See Note 5, Page 118)</b>					
BASIC EARNINGS PER SHARE .....			Rupees	7.10	7.45
DILUTED EARNINGS PER SHARE .....			Rupees	7.09	7.44
FACE VALUE PER SHARE .....			Rupees	10.00	10.00

Per our report attached  
For A.F.FERGUSON & CO.  
Chartered Accountants

B.P.SHROFF  
Partner

For K.S.AIYAR & CO.  
Chartered Accountants

TARUN DAS  
Chairman

M.L.NARULA  
Managing Director

For and on behalf of the Board,

N.S.SEKHSARIA  
Deputy Chairman

A. K. JAIN  
Whole-time Director

N.A.SOONAWALA  
O.P. DUBEY  
A.L.KAPUR  
S.M.PALIA  
CYRIL S. SHROFF  
AMITABHA GHOSH



# APPENDIX

## CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2005

	Schedules	Page Nos.	Rs. Crore	Rs. Crore	<i>Previous Year</i> Rs. Crore
<b>I. SOURCES OF FUNDS :</b>					
<b>1. SHAREHOLDERS' FUNDS :</b>					
(a) Share Capital .....	A	121	185.54		179.23
(b) Reserves and Surplus .....	B	122	<u>1,966.19</u>		<u>1,501.19</u>
				2,151.73	1,680.42
<b>2. MINORITY INTEREST .....</b>				12.63	40.30
<b>3. LOAN FUNDS :</b>					
(a) Secured Loans .....	C	123	954.27		1,194.44
(b) Unsecured Loans .....	D	123	<u>124.95</u>		<u>297.71</u>
				1,079.22	1,492.15
<b>4. STOCKISTS' DEPOSITS (UNSECURED) .....</b>				104.75	105.31
<b>5. DEFERRED TAX LIABILITY (Net ) .....</b>				<u>304.94</u>	<u>311.41</u>
<b>6. TOTAL FUNDS .....</b>				<u><u>3,653.27</u></u>	<u><u>3,629.59</u></u>
<b>II. APPLICATION OF FUNDS :</b>					
<b>1. FIXED ASSETS :</b>					
(a) Gross Block .....	E	124	4,767.95		4,755.09
(b) Less : Depreciation .....			<u>1,791.10</u>		<u>1,860.97</u>
(c) Net Block .....			2,976.85		2,894.12
(d) Capital Work-in-Progress etc. ....			<u>217.75</u>		<u>388.68</u>
				3,194.60	3,282.80
<b>2. INVESTMENTS .....</b>	F	125 & 126		281.52	16.31
<b>3. CURRENT ASSETS, LOANS AND ADVANCES :</b>					
(a) Inventories .....	G	127	629.13		644.00
(b) Sundry Debtors .....	H	128	217.87		208.59
(c) Cash and Bank Balances .....	I	129	106.44		87.29
(d) Other Current Assets .....	J	129	31.50		4.65
(e) Loans and Advances .....	K	130	<u>435.94</u>		<u>426.76</u>
			1,420.88		1,371.29
<b>4. LESS : CURRENT LIABILITIES AND PROVISIONS :</b>					
(a) Sundry Liabilities .....	L	131	931.93		844.34
(b) Provisions .....	M	131	<u>318.48</u>		<u>210.58</u>
			1,250.41		1,054.92
<b>5. NET CURRENT ASSETS .....</b>				170.47	316.37
<b>6. MISCELLANEOUS EXPENDITURE .....</b>	N	131		6.68	14.11
(to the extent not written off or adjusted)					
<b>7. TOTAL ASSETS (Net) .....</b>				<u><u>3,653.27</u></u>	<u><u>3,629.59</u></u>
<b>8. NOTES ON ACCOUNTS .....</b>	O	132 to 145			

Per our report attached

For **A.F.FERGUSON & CO.**  
Chartered Accountants

**B.P. SHROFF**  
Partner

For **K.S. AIYAR & CO.**  
Chartered Accountants

**RAGHUVIR M. AIYAR**  
Partner

For **S.R. BATLIBOI & ASSOCIATES**  
Chartered Accountants

**SUDHIR SONI**  
Partner

Mumbai : January 24, 2006

For and on behalf of the Board,

**N.S.SEKHSARIA**  
Chairman

**M.L.NARULA**  
Managing Director

**PAUL HUGENTOBLE**  
Deputy Chairman

**A.K.JAIN**  
Whole-time Director

**BEAT MALACARNE**  
Chief Financial Officer

**A. ANJENEYAN**  
Company Secretary

**A.L.KARUR**  
**S.M.PALIA**  
**NARESH CHANDRA**  
**D.K.MEHROTRA**  
**R.A.SHAH**  
**NIRMALYA KUMAR**

Directors



# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR NINE MONTHS PERIOD ENDED DECEMBER 31, 2005

	Schedules	Page Nos.	Previous Year			
			Rs. Crore	Rs. Crore	Rs. Crore	Rs. Crore
<b>INCOME:</b>				3,861.18		4,864.72
SALE OF PRODUCTS AND SERVICES (Gross) .....				497.72		637.50
LESS: EXCISE DUTY (Including Education Cess) RECOVERED. ....					3,363.46	4,227.22
SALE OF PRODUCTS AND SERVICES (Net) .....					109.02	100.46
OTHER INCOME .....					1.20	0.82
SHARE OF EARNINGS OF ASSOCIATE .....					3,473.68	4,328.50
<b>EXPENDITURE:</b>				2,796.86		3,516.27
MANUFACTURING AND OTHER EXPENSES .....	2	119 & 120	171.98			227.66
DEPRECIATION .....						
LESS: TRANSFER FROM CAPITAL RESERVE (Refer Note - 22, page 144 & 145) .....			0.27			
INTEREST .....	3	120		171.71		92.54
				65.97	3034.54	3836.47
MINORITY INTEREST .....					439.14	492.03
					(4.13)	(6.11)
					435.01	485.92
<b>PROFIT/(LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>						
<b>EXCEPTIONAL ITEMS</b>						
PROFIT FROM DIVESTMENT OF SUBSIDIARY .....				89.00		—
(Including Rs. 30.23 Crores transferred from Capital Reserve) .....				174.05		—
PROFIT ON SALE OF REFRACTORY BUSINESS .....				(13.15)		—
PROVISION FOR EMPLOYEE BENEFITS - PRIOR PERIOD .....						(0.50)
(Refer Note - 10, page 140 & 141)						
WRITE BACK/(PROVISION) FOR CONTINGENCIES .....				1.44		(0.50)
(Refer Note -14(a), page 141)					231.34	(0.50)
					666.35	485.42
					643.60	442.84
<b>PROFIT/(LOSS) AFTER EXCEPTIONAL ITEMS BEFORE TAX</b>						
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXATION -						
PROVISION FOR TAXATION-						
(i) CURRENT TAX (includes Rs.42.02 Crore on sale of Refractory Business - (Previous Year Rs. Nil)) .....				(83.85)		(44.15)
(ii) DEFERRED TAX (Refer Note -16(b), page 143) .....				(74.80)		(23.17)
(iii) FRINGE BENEFIT TAX .....				(6.31)		—
					(144.96)	(67.32)
					498.64	375.52
					22.75	42.58
<b>PROFIT/(LOSS) AFTER TAXATION FROM CONTINUING OPERATIONS [A]</b>						
PROFIT FROM DISCONTINUED OPERATION BEFORE TAXATION						
PROVISION FOR TAXATION						
(i) CURRENT TAX (Refer Note - 9, page 140) .....				(11.99)		(15.71)
(ii) DEFERRED TAX (Refer Note - 16(b), page 143) .....				4.33		0.13
					(7.66)	(15.58)
					15.09	27.00
					513.73	402.52
<b>PROFIT/(LOSS) AFTER TAXATION FROM DISCONTINUED OPERATION [B]</b>						
<b>PROFIT/(LOSS) AFTER TAXATION AND EXCEPTIONAL ITEMS [A + B]</b>						
BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR .....					173.62	182.56
AMOUNT AVAILABLE FOR APPROPRIATION .....					667.35	585.08
<b>APPROPRIATIONS:</b>						
PREVIOUS YEAR DIVIDEND .....				0.32		0.45
GENERAL RESERVE .....				55.11		251.87
TRANSFERRED TO DEBTURE REDEMPTION RESERVE .....						15.00
AMORTISATION RESERVE .....				0.23		0.32
PROPOSED DIVIDEND .....				147.81		124.97
TAX ON DISTRIBUTED PROFITS .....				21.40		18.85
					224.67	411.46
					462.68	173.52
<b>BALANCE CARRIED TO BALANCE SHEET</b> .....						
NOTES ON ACCOUNTS .....	O	132 to 145				
EARNINGS PER SHARE (Refer Note - 6, page 139)					Rupees 28.34	22.59
BASIC EARNINGS PER SHARE .....					Rupees 27.48	21.73
DILUTED EARNINGS PER SHARE .....					Rupees 10.00	10.00
FACE VALUE PER SHARE .....						

For our report attached to the Balance Sheet

For A.F.FERGUSON & CO.  
Chartered Accountants

B.P. SHROFF  
Partner

For K.S. AIYAR & CO.  
Chartered Accountants

RAGHUVIR M. AIYAR  
Partner

For S.R. BATLIBOI & ASSOCIATES

N.S.SEKHSARIA  
Chairman

M.L.NARULA  
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A.L.KAPUR  
S.M.PALIA  
NARESH CHANDRA  
D.K.MEHROTRA  
R.A.SHAH  
NIRMALYA KUMAR

Directors

For and on behalf of the Board,

# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2005

	Schedules	Page Nos.	Rs. Crore	Rs. Crore	Previous Year Rs. Crore
<b>I. SOURCES OF FUNDS :</b>					
1. SHAREHOLDERS' FUNDS					
(a) Share Capital .....	A	111	179.23		177.94
(b) Reserves and Surplus .....	B	112	<u>1,501.19</u>		<u>1,235.72</u>
				1,680.42	1,413.66
				40.30	35.08
2. MINORITY INTEREST .....					
3. LOAN FUNDS					
(a) Secured Loans .....	C	113	1,194.44		1,117.78
(b) Unsecured Loans .....	D	113	<u>297.71</u>		<u>322.30</u>
				1,492.14	1,440.08
				105.3	94.60
4. STOCKISTS' DEPOSITS (UNSECURED) .....				311.4	288.37
5. DEFERRED TAX LIABILITY (Net) .....				<u>3,629.59</u>	<u>3,271.79</u>
6. TOTAL FUNDS .....					
<b>II. APPLICATION OF FUNDS :</b>					
1. FIXED ASSETS .....	E	114			
(a) Gross Block .....			4,735.81		4,444.06
(b) Less-Depreciation .....			<u>1,649.99</u>		<u>1,660.76</u>
(c) Net Block .....			2,885.82		2,783.30
(d) Capital Work-in-Progress, etc. ....			<u>388.68</u>		<u>96.79</u>
				3,274.50	2,880.09
				18.80	57.59
2. INVESTMENTS .....	F	115 & 116			
3. CURRENT ASSETS, LOANS AND ADVANCES					
(a) Inventories .....	G	117	644.00		472.66
(b) Sundry Debtors .....	H	118	208.59		207.05
(c) Cash and Bank Balances .....	I	119	87.29		113.93
(d) Other Current Assets .....	J	119	4.65		3.56
(e) Loans and Advances .....	K	120	426.76		402.52
			<u>1,371.29</u>		<u>1,199.72</u>
4. LESS - CURRENT LIABILITIES AND PROVISIONS					
(a) Sundry Liabilities .....	L	121	844.34		773.44
(b) Provisions .....	M	121	<u>213.07</u>		<u>131.64</u>
			1,057.41		905.08
5. NET CURRENT ASSETS .....				313.88	294.64
6. MISCELLANEOUS EXPENDITURE .....	N	121		22.41	39.47
(to the extent not written off or adjusted)					
7. TOTAL ASSETS (Net) .....				<u>3,629.59</u>	<u>3,271.79</u>
8. NOTES ON ACCOUNTS .....	O	122 to 132			

Per our report attached

For and on behalf of the Board,

For A.F.FERGUSON & CO.  
Chartered Accountants

B.P. SHROFF  
Partner

TARUN DAS  
Chairman

N.S.SEKHSARIA  
Deputy Chairman

N.A.SOONAWALA  
AMITABHA GHOSH  
O.P.DUBEY

For K.S. AIYAR & CO.  
Chartered Accountants

M.L.NARULA  
Managing Director

A.K.JAIN  
Whole-time Director

A.L.KAPUR  
S.M.PALIA  
CYRIL S.SHROFF

RAGHUVIR M. AIYAR  
Partner

A. ANJENEYAN  
Company Secretary

N.H.ITALIA  
President Finance

NARESH CHANDRA  
R.K.VASHISHTHA  
MARKUS AKERMANN  
PAUL HUGENTOBLE

Directors

Mumbai: May 6, 2005.



**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2005**

	Schedules	Page Nos.	Rs. Crore	Rs. Crore	Previous Year Rs. Crore
<b>INCOME:</b>					
SALE OF PRODUCTS AND SERVICES (Gross)			4,864.72		4,149.04
LESS: EXCISE DUTY (including Education Cess)			637.50		588.60
RECOVERED .....					
SALE OF PRODUCTS AND SERVICES (Net) .....				4,227.22	3,560.44
OTHER INCOME .....	1	108		100.46	165.50
SHARE OF EARNINGS OF ASSOCIATES .....				0.82	(0.01)
				4,328.50	3,725.93
<b>EXPENDITURE:</b>					
MANUFACTURING AND OTHER EXPENSES .....	2	109 & 110	3,518.23		3,120.38
DEPRECIATION .....			225.70		198.95
INTEREST .....	3	110	92.54		98.91
				3836.47	3418.24
MINORITY INTEREST .....				492.03	307.69
				(6.11)	(13.84)
				485.92	293.85
<b>PROFIT / (LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>					
<b>EXCEPTIONAL ITEMS</b>					
WRITE DOWN OF VALUE OF ASSETS .....					(8.00)
(See Note -12(d), Page 130 )					
PROVISION FOR CONTINGENCIES (Net) .....				(0.50)	2.01
(See Note -11(b), Page 129)					
				485.42	287.86
<b>PROFIT / (LOSS) AFTER EXCEPTIONAL ITEMS BEFORE TAX</b>					
0. PROVISION FOR TAXATION					(27.59)
(i) CURRENT TAX .....			(59.86)		(40.14)
(ii) DEFERRED TAX .....			(23.04)		(67.73)
				(82.90)	220.13
				402.52	74.26
				182.56	294.39
<b>PROFIT / (LOSS) AFTER TAXATION AND EXCEPTIONAL ITEMS</b>					
1. BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR				585.08	294.39
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>					
<b>APPROPRIATIONS:</b>					
2. PREVIOUS YEAR DIVIDEND .....			0.45		25.53
3. GENERAL RESERVE .....			251.87		
4. TRANSFERRED TO DEBENTURE REDEMPTION RESERVE			15.00		0.18
5. AMORTISATION RESERVE .....			0.32		70.88
6. PROPOSED DIVIDEND .....			124.97		15.24
7. TAX ON DISTRIBUTED PROFITS .....			18.85		
				411.46	111.83
				173.62	182.56
<b>BALANCE CARRIED TO BALANCE SHEET</b>					
18. NOTES ON ACCOUNTS .....	O	122 to 132			
19. EARNINGS PER SHARE (See Note - 5, Page 128)					
BASIC EARNINGS PER SHARE .....			Rupees	22.58	12.84
DILUTED EARNINGS PER SHARE .....			Rupees	21.73	12.76
FACE VALUE PER SHARE .....			Rupees	10.00	10.00

Per our report attached to the Balance Sheet

For and on behalf of the Board,

For A.F.FERGUSON & CO.  
Chartered Accountants

B.P. SHROFF  
Partner

TARUN DAS  
Chairman

N.S.SEKHSARIA  
Deputy Chairman

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Directors