A Study on Financial Performance of Aditya Birla Groups

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Abstract

This study analyzes the financial performance of Aditya Birla Group over five years using key financial ratios. The objective is to assess the company's liquidity, leverage, and asset utilization by applying ratio analysis on data sourced from company records and financial websites. The findings reveal significant improvement in liquidity, as reflected by an increase in the Current Ratio from 0.80 in 2021 to 1.39 in 2024. However, the Absolute Liquid Ratio remains low, indicating limited cash reserves. The Fixed Assets to Net Worth Ratio suggests minimal investment in long-term assets, while the rise in the Debt-to-Equity Ratio points to increasing financial leverage. The study concludes that while Aditya Birla Group demonstrates financial stability and growth in liquidity, attention must be paid to cash flow and rising debt levels to ensure sustained financial health. Strategic reinvestment and cautious debt management are recommended for future stability.

Keywords:
Aditya Birla Group, Financial Performance, Ratio Analysis, Liquidity, Debt-to-Equity Ratio, Fixed Assets, Current Ratio, Financial Leverage, Profitability, Investment Analysis

INTRODUCTION

Finance is the study and discipline of money, currency and capital assets. It is related to but distinct from economics, which is the study of the production, distribution, and consumption of goods and services. Based on the scope of financial activities in financial systems, the discipline can be divided into personal, corporate, and public finance.Finance is the foundational layer on which businesses are setup and run. Access to finances can enable a firm to expand and grow. Similarly, lack of funding can lead to restrained operations and in extreme cases cause a financial collapse of the business altogether. Irrespective of the nature of business, finance is a critical resource which needs to be managed efficiently for a smooth and successful running of companies and markets.

Dr. K. Prince Paul Antony and D. Bharath, (2022),[1]Their study focused on financial performance of Bajaj Finserv. The main objective of this study is to measure the financial performance and to know the profit ability of the company. The study is based on the financial position of the firm by using ratio analysis, financial statements help the management to analyse profit, solvency, liquidity and efficiency. The study concluded that the company is in a good trend.

Dr.NR.Suryanaraya-(2019)[2] had said financial performance of textile industry. His present study considers three sample companies in the textile industry to assess their financial performance. It objectives is to analyze the companies profitability, liquidity position and efficiency of the management. This study has analyzed that the profitability and short term position of these three textile industries in India. It concluded that textile industry plays an important role in India and are contributing towards the national growth.

OBJECTIVES OF THE STUDY

- To study the turnover position of the company.
- To study of financials statements of 5 years with reference to Aditya birla groups

RESEARCH METHODOLOGY

Research Design:

The descriptive research designs have been adopted for the study. A research design is the plan of a research study.

Source of Data:

Data was collected from the company's website, company records such as balance Sheet, Income Statement, Internal Data, Etc. In addition to that a number of reference books, journals and website reports were also used to formulate the theoretical model for the study.

Period of Study:

The study covers from December 2024 to February 2025 for 3 months in ADITYA BIRLA GROUPS.

Tools Used:

- Ratio analysis.

LIMITATIONS OF THE STUDY

- The study is limited to five years only.
- The reliability of the data depends upon the data given by the company

DATA ANALYSIS AND INTERPRETATION

Table-1: Current Ratio

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2024	14,080.23	10,122.30	1.39
2023	10,219.88	10,282.20	0.99
2022	9,812.90	10,177.88	0.97
2021	6,723.39	8,388.10	0.8
2020	5,825.11	6,626.87	0.88
AVERAGE			**1.006**

SOURCE: COMPUTED FROM THE MONEY CONTROL

INTERPRETATION

- Indicates the company's ability to cover short-term liabilities with current assets.
- A ratio above 1 (as seen in 2024) suggests good liquidity, but an excessively high ratio could mean inefficient asset utilization.
- The increase from 0.8 in 2021 to 1.39 in 2024 shows improved short-term financial health.

Table-2: Debt-Equity Ratio

YEAR	CASH AND CASH EQIVALENTS	CURRENT LIABILITIES	ABSOLUTE LIQUID RATIO
2024	1,052.11	10,122.30	0.1
2023	923.40	10,282.20	0.09
2022	740.50	10,077.88	0.07

2021	587.23	8,388.10	0.07
2020	476.45	6,626.87	0.07
AVERAGE			**0.08**

SOURCE: COMPUTED FROM THE MONEY CONTROL

INTERPRETATION

- The Debt-to-Equity Ratio was low at 0.31 in FY 2020, indicating minimal reliance on debt financing. However, debt levels increased to 0.74 in the year 2024 suggesting the company is taking on more debt for expansion. increasing leverage can also lead to higher financial risk, interest costs, and reduced profitability.

Table-3: Fixed assets to Net worth Ratio

YEAR	FIXED ASSETS	NET WORTH	FIXED ASSET TO NET WORTH RATIO
2024	159.67	13933	0.01
2023	106.68	10096.76	0.01
2022	111.92	9386.91	0.01
2021	155.05	8559.88	0.02
2020	158.05	7056.62	0.02
AVERAGE			**0.01**

SOURCE: COMPUTED FROM THE MONEY CONTROL

INTERPRETATION

- Shows the proportion of equity tied up in long-term assets.
- A low ratio (~0.01) suggests low investment in fixed assets compared to net worth, possibly indicating a focus on liquid assets.

Table-4: CURRENT ASSETS TO PROPRIETORS FUND RATIO

YEAR	CURRENT ASSETS	SHAREHOLDERS FUND	CURRENT ASSETS TO PROPRIETOR’S FUND RATIO
2024	14080.23	13933	1.01
2023	10213.31	10096.76	1.01
2022	9812.9	9386.91	1.05
2021	6723.39	8559.88	0.79
2020	5825.11	7056.62	0.83
AVERAGE			**0.938**

SOURCE: COMPUTED FROM THE MONEY CONTROL

INTERPRETATION

- Measures the proportion of current assets funded by equity.
- A stable ratio around 1.0 suggests a balanced approach between liquidity and shareholder equity.

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Findings

- **Improved Liquidity Position**:The Current Ratio improved from 0.80 (2021) to 1.39 (2024), reflecting enhanced ability to meet short-term obligations.

- **Weak Absolute Liquidity:**Despite some improvement, the Absolute Liquid Ratio remains low (~0.08), indicating limited cash availability for immediate liabilities.

- **Low Investment in Fixed Assets:**The Fixed Assets to Net Worth Ratio remained between 0.01 and 0.02, showing a strong preference for current or liquid assets over fixed capital investment.

- **Balanced Funding Approach:**The Current Assets to Proprietor's Fund Ratio stayed around 1.0, indicating a healthy alignment between equity and current assets.

- **Rising Financial Leverage:**The Debt-to-Equity Ratio rose from 0.31 (2020) to 0.74 (2024), reflecting increased reliance on debt, which may raise financial risk if not controlled

Suggestions

1. **Maintain Liquidity but Avoid Overcapitalization:**

o Aim to keep the Current Ratio around **1.5–2.0** for balance. Avoid letting it rise too high, which could indicate idle assets.

2. **Boost Absolute Liquidity:**

o Improve **cash reserves** through better cash flow management to ensure the company can meet urgent liabilities without stress.

3. **Strategically Reinvest in Fixed Assets:**

o Consider moderate investments in fixed assets to support long-term growth, particularly if expansion or modernization is planned.

4. **Control Leverage:**

o Monitor rising debt carefully. Use borrowed funds productively and maintain a sustainable **Debt-to-Equity Ratio** to avoid high interest burdens.

5. **Preserve Equity Strength:**

o Continue funding current assets through equity to reduce dependency on external debt and maintain financial stability

Conclusion

The company has shown **strong improvement in liquidity** over the past five years, with a significant rise in the Current Ratio and consistent equity backing of current assets. However, the **low absolute liquidity** and increasing debt levels require attention. To maintain long-term financial health, the company should focus on improving its cash position, managing leverage carefully, and considering strategic reinvestment in fixed assets. Overall, the financial indicators reflect a **positive trend with a few cautionary areas** that, if addressed, can lead to greater financial resilience and sustainable growth.

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