A STUDY ON TANCEM'S FINANCIAL FORTITUDE THROUGH COMPARATIVE BALANCE SHEET, RATIO AND TREND ANALYSIS

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ABSTRACT

The project "A study on TANCEM's financial fortitude through comparative balance sheet, ratio and trend analysis" meticulously examines Tamilnadu Cements Corporation Limited (TANCEM) to gauge its operational efficiency and financial health using an array of financial metrics such as profitability, turnover, and solvency ratios. Structured into six chapters, the study begins with an overview of the company and industry, followed by a literature review in the second chapter. The third chapter elucidates the research methodology, while the fourth chapter entails data analysis employing various statistical and financial tools. The fifth chapter presents findings and recommendations, with the final chapter offering conclusive insights. By employing comparative statements, common size statements, and ratio analysis, the study draws specific conclusions and provides actionable suggestions for enhancing TANCEM's financial performance.

CHAPTER 1

INTRODUCTION

FINANCIAL ANALYSIS:

Financial analysis is the process of evaluating the financial health and performance of a company by examining its financial statements, ratios, trends, and other relevant financial metrics. It involves interpreting financial data to assess the company's profitability, liquidity, solvency, efficiency, and overall financial condition.

Financial analysis is crucial for several reasons:

- Decision Making
- Performance Evaluation
- Risk Assessment
- Forecasting and Planning
- Communication and Transparency

INDUSTRY PROFILE

The cement industry in India is one of the largest and fastest-growing sectors of the economy, playing a pivotal role in the country's infrastructure development and economic growth. The cement industry is vital for India's infrastructure development, as cement is a key building material used in construction projects ranging from housing and commercial buildings to roads, bridges, and dams. It also contributes significantly to employment generation and GDP growth.

Company Profile:

Tamil Nadu Cement Corporation Limited (TANCEM)

Tamil Nadu Cement Corporation Limited (TANCEM) is a leading cement manufacturing company based in the state of Tamil Nadu, India. Established in 1976, TANCEM has been a key player in the cement industry, contributing significantly to the state's infrastructure development and construction sector.

OBJECTIVES OF THE STUDY:

KEY OBJECTIVES:

➨ **Evaluate Financial Performance**: Assess TANCEM's financial performance over the specified period by analyzing its balance sheet and profit and loss account. This includes examining key financial metrics such as revenue growth, profitability, liquidity, and solvency.

➨ **Identify Strengths and Weaknesses:** Identify the company's strengths and weaknesses based on the analysis of its financial statements. Determine areas where TANCEM excels and areas that may require improvement or further attention.

➨ **Understand Financial Health:** Gain insights into TANCEM's overall financial health and stability by evaluating its liquidity position, debt levels, and ability to generate profits and cash flows..

CHAPTER 2

REVIEW OF LITERATURE

Title: "The Prediction of Corporate Bankruptcy: A Discriminant Analysis" (1968)

Author: Edward I. Altman

Altman's seminal work introduced the Z-score model for predicting bankruptcy, providing a robust framework for assessing financial distress. This model has since become a cornerstone in financial analysis, offering valuable insights into corporate solvency and risk assessment.

Title: "Financial Ratios as Predictors of Failure" (1966)

Author: James Ohlson Beaver

Beaver's research on financial ratios' predictive power in detecting earnings manipulation has significantly contributed to fraud detection strategies. His findings underscore the importance of ratio analysis in uncovering potential financial irregularities, enhancing the reliability of financial statements in decision-making processes.

CHAPTER 3

RESEARCH METHODOLOGY:

RESEARCH DESIGN:

- Descriptive Study: This research adopts a descriptive study design to systematically analyze and describe TANCEM's financial fortitude over the past five years. The study aims to provide a comprehensive overview of the company's financial performance using secondary data.

DATA COLLECTION:

- Source of Data: The study relies on secondary data obtained from TANCEM's financial reports, including Balance Sheets, Profit and Loss Accounts, and Cash Flow Statements, spanning the last five years.

- Data Validation: Efforts will be made to ensure the accuracy and reliability of the collected data through thorough verification and cross-referencing.

PERIOD OF STUDY:

- Duration: The study will be conducted over a period of two months, allowing sufficient time for data collection, analysis, and interpretation.

ANALYTICAL TOOLS:

- Ratio Analysis

- Comparative Balance Sheet Analysis

- Trend Analysis

- Tables and Graphs

RATIO ANALYSIS:

- Current Ratio

- Quick Ratio (Acid-Test Ratio)

- Cash Ratio

- Gross Profit Margin

- Net Profit Margin

- Return on Assets (ROA)

- Return on Equity (ROE)

- Debt-to-Equity Ratio
- Working Capital Ratio
- Debt-to-Total Asset Ratio

TREND ANALYSIS: Understanding Historical Patterns and Predicting Future Outcomes.

COMPARATIVE BALANCE SHEETS: Assessing Financial Stability and Performance Trends Over Time.

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

RATIO ANALYSIS:

Gross Profit Margin: (Gross Profit / Net Sales) * 100

Year	Gross Profit	Net Sales	Gross Profit Margin
2019	7381.74	48294.64	15.28%
2020	5952.75	43697.58	13.62%
2021	13287.04	42324.01	31.38%
2022	39247.17	80307.71	48.79%
2023	46354.88	101931.84	45.48%

INTERPRETATION:

The Gross Profit Margin fluctuated over the years, starting at 15.28% in 2019, slightly decreasing to 13.62% in 2020, then significantly rising to 31.38% in 2021, and further increasing to 48.79% in 2022. Although there was a slight decrease to 45.48% in 2023, it remained high, indicating sustained profitability and efficient cost management.

*Net Profit Margin: (Net Profit / Net Sales) * 100*

Year	Net Profit	Revenue	Net Profit Margin (%)
2019	330.59	48294.64	0.68
2020	-3126.2	43697.58	-7.15
2021	-5305	42324.01	-12.53
2022	11769.36	80307.71	14.64
2023	13397.53	101931.84	13.16

INTERPRETATION: The Net Profit Margin fluctuated over the years 2019 to 2023, starting at 0.68% in 2019, turning negative in 2020 and 2021, then significantly improving to 14.64% in 2022, and slightly decreasing to 13.16% in 2023. Despite fluctuations, the trend indicates a notable recovery in profitability in later years.

TREND ANALYSIS:

Percentage Trend Analysis for Net Profit:

Year	Net Profit (Amount)	Percentage Change (%)
2019	330.59	0%
2020	-3,126.20	-1045.31%
2021	-5,305.00	-1702.32%
2022	11,769.36	3471.64%
2023	15,638.04	4645.38%

INTERPRETATION: The table outlines the percentage trend analysis for net profit from 2019 to 2023. Starting at 330.59 in 2019, there was a substantial decline to -3,126.20 in 2020, followed by further decreases in 2021. However, a significant rebound occurred in 2022, with a substantial increase to 11,769.36, and continued growth to

15,638.04 in 2023. These fluctuations suggest adjustments in business strategies, market conditions, or operational efficiencies over the five-year period.
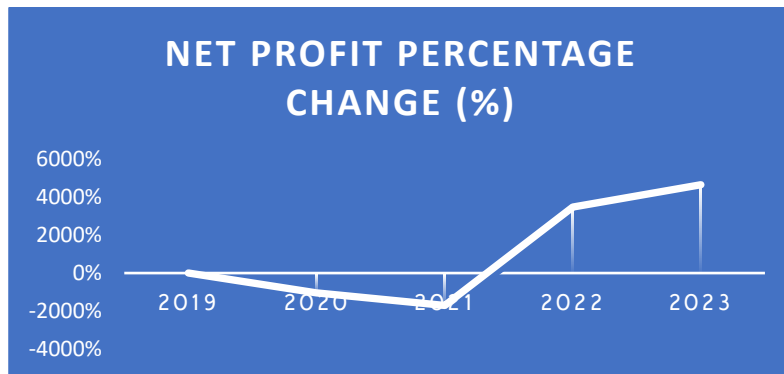
CHAPTER 5

FINDINGS

- ➡ The Gross Profit Margin fluctuated over the years, starting at 15.28% in 2019, slightly decreasing to 13.62% in 2020, then significantly rising to 31.38% in 2021, and further increasing to 48.79% in 2022. Although there was a slight decrease to 45.48% in 2023, it remained high, indicating sustained profitability and efficient cost management.

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- ➡ The table outlines the percentage trend analysis for net profit from 2019 to 2023. Starting at 330.59 in 2019, there was a substantial decline to -3,126.20 in 2020, followed by further decreases in 2021. However, a significant rebound occurred in 2022, with a substantial increase to 11,769.36, and continued growth to 15,638.04 in 2023. These fluctuations suggest adjustments in business strategies, market conditions, or operational efficiencies over the five-year period.

SUGGESTIONS

- ➡ <u>Liquidity Management</u>: Implement effective strategies to manage liquidity, including maintaining adequate cash reserves, optimizing inventory, and negotiating favourable payment terms with suppliers.

- Debt Management: Adopt a balanced approach to debt management by refinancing high-cost debt, reducing reliance on short-term borrowing, and exploring alternative financing options to optimize the company's capital structure.

- Profitability Enhancement: Focus on improving operational efficiency, reducing costs, and diversifying revenue streams to sustain and enhance profitability. This may involve streamlining processes, investing in technology, and diversifying product offering

- Risk Mitigation: Proactively identify and mitigate risks through regular assessments, stress tests, and scenario analyses. Maintain open communication with stakeholders and seek external expertise if needed to address complex financial issues effectively.

CONCLUSION

The analysis of TANCEM's financial performance reveals fluctuations in liquidity, debt management, profitability, and asset utilization metrics. Despite challenges, including liquidity constraints and fluctuating debt levels, TANCEM has shown resilience in dynamic market conditions. Recommendations focus on liquidity management, debt utilization, profitability enhancement, asset optimization, risk mitigation, and strategic planning to bolster financial strength and operational efficiency. Despite challenges, TANCEM's potential for growth is highlighted, emphasizing proactive financial management for long-term success.

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