A STUDY ON LIQUIDITY AND RATIO ANALYSIS AT ACC CEMENT LTD. WADI

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Abstract- **Liquidty ratios are important financial measures as they provide insight into a debtor's ability to satisfy immediate debt commitments without relying on external finance. These ratios indicate a company's capacity to meet its debt commitments as well as its level of security. They are calculate by use more indicators, such as the current ratio, quick ratio, and operational cash flow ratio, each of which provides a unique view on the company's financial strength and capacity to manage short-term commitments.**

The simplicity with which assets may be turned into money effectively and cheaply is referred to as Liquidty. When use in a comparison context, Liquidty ratios very useful. Such analysis may be conducted both internally and externally, providing insights into a company's capacity to quickly access cash resources as well as a gauge for its financial health when compared to other firms or industry standards.

A Liquidty ratio is a sets of statistics used to assess a company's short-term financial stability or situation. These ratios are intended to analyze the company's ability to satisfy its immediate financial commitments or clear its present debts. They give information on the company's ability to make short-term payments and its ability to manage its current financial liabilities.

The current ratio, quick ratio, and absolute Liquidty ratio are examples of Liquidty ratios. Additionally, debtor's and creditor's turnover ratios are computed to assess how efficiently a firm uses its liquid assets. These ratios provide information on the company's capacity to handle available finances as well as its relationships with debtors and creditors.

Short-term commitments are met by transforming readily available assets into cash. These assets should be liquid because their aim is to handle short-term financial obligations.

A larger Liquidty ratio often suggests a safety buffer for a corporation to manage its liabilities. When the liquidty ratio is larger'sthn one, it company's financial situation is positive

***Key words*: Liquidity Ratio, Cash Resources, Short term, Statistics, Financial Liabilities.**

1. INTRODUCTION

The ACC narrative starts in 1936, at a period defined by rising war clouds over Europe, a sluggish Western economy, and a failing Indian industry. Despite these difficult conditions, a visionary called F.E. Dinshaw remained unaffected or was working on a future vision. Dinshaw had extraordinary vision and made risky activities. His goal included creating a robust and cohesive cement sector capable of navigating obstacles and meeting obligations.

Dinshaw's efforts resulted in a large combining eleven existing cement businesses, an achievement accomplished without the organized procedures of current mergers and acquisitions. These businesses wereconnected to the powerful Killick Nixon group, laying the foundation of what would later become the ACC, or the Associated Cement Companies Ltd.

Within three years of its formation, the newly formed coalition of eleven cement businesses was forced into the furnace of WW II, a period fraught with unparalleled problems.These teams combined their funds to endure the war's storm. As time passed, India recovered its self-sufficiency, and during this turbulent era, ACC remained as a sturdy pillar, not simply as an observer of history, but as a participant carving its mark on the global arena. The ACC's function went beyond simple historical presence; it was entwined with the endeavor of constructing a new India, playing a critical role in the nation's march towards growth and development.

ACC has continuously highlighted people' distinct differences and commonalities. People's requirements and preferences vary. lives, and different goals. Today, with a strong emphasis on education and a diverse range of experiences, ACC is ready to fulfillgoals and aims of individuals on a national and worldwide scale.

For almost sixty years, The ACC has gathering the initial step to building relationships. Throughout this voyage, it has improved its skills at the cutting Among the most recent procedures, initiatives, and alterations—going beyond simply transplantation—to handle the complexities of immediate operating conditions. ACC has not only developed standards and advancements during this process, but has also proactively theorized about prospective demands rather than simply preserving present ones.

Eleven cement companies associated with the Tata, Khatau, Killick Nixon, and FE Dinshaw conglomerates were merged to establish the Associated Cement Businesses (ACC) in 1936. First ACC chairman was Sir Nowroji B. Saklatvala. Ambalal Sarabhai, JRD Tata, WalchandHirachand, DharamseyKhatau, Sir Akbar Hydari, NawabSalar Jung Bahadur, and Sir HomyMody were a few of the first board member.Harshad S. Mehta, a well-known personality in the Indian stock market, coordinated a manipulation of ACC shares in 1992, resulting in an extraordinary spike of over 4400% in a few of months.

2. LITERATURE REVIEW

1) Bollen (1999) : Conducting a study focused on varying ratiio, the researcher identified three distinct applications of ratio variables in the analysis of aggregate data: (1) as indicators of theor-based ideas, (2) as a method to manage extraneous factors, and (3) as a remedy for heterogeneoiusvariencey. When ratio variables are utilized as indicators of conceps, a potential issue arises when they are regressed against other indices or variables that share a common component. This scenario could lead to the intermingling of the correlation of two per capita measuremens with the shared population component within each variable. Concerning the second application of ratios, their suitability for controlling extraneous factors exists primarily under exceptional circumstances. Lastly, the inappropriate uses of ratiios for heteroscedasticity correction is prevalent. The correction of heteroscedasticity through commonlly used ratio variables is effective only under specific conditions. Alternatives to using ratios are explored and assessed for each of these situations.

2) Cooper (2000): Conducting an investigation into Financial Intermediation, the researcher observed the numerical actions taken by business-cycle models in which the method of intermediation serves as either an inducement of fluctuations or a transmitter of genuine shocks. In any case, scenario, there is insufficient compelling evidence indicating that the procedre for intermeditionsignificantly contributes to overall economic fluctuations. In an economy influenced by intermediation shocks, several notable patterns emerge: consumption fails to exhibit smoother Investment has a negative connection with production, there are significant changes in the capital stock, and interest rates follow a procyclical pattern. Because of these traits, the model economy deviates from the matched unconditional moments found in the real US economy. Furthermore, the research involves estimating the parameters of a structural model that includes both intermediation and productivity shocks, allowing the intermediation technique to propagate the real shock. Closer agreement with observed unconditional correlations occurs only when the intermediation shock is of moderate importance.

3) Schmidgall (2003) : In the course of an investigation into Financial Analysis Using the Statement of Cash Flows, the researcher noted that business managers commonly employ a variety of financial ratios to assess the overall health of their enterprises. Notably, with the recent stipulation of a statement of cash flow (SCF) by the Financial Accounting Standards Board, managers now have access to a fresh array of ratios that offer a more realistic portrayal of their business's status. Among these ratios are cash flow-interest coverage, cash flow-dividend coverage, and the relationship between cash flow from operations and cash flow in investments. These specific ratios hold distinct value as they provide insights into the changes in a hotel or restaurant's cash position over a span of time, as opposed to a singular point in time, as often observed with numerous other ratios.

4) Ibenta (2005) : Viewed as the abilty of a businesss to fulfill its near-term obligations, Liquidty was perceived as a crucial attribute. Hence, within the realm of financiall statements analysis, evaluating both profitability and Liquidty stands out as a vital dimension that underscores the overall financial well-being of the organzation.

5) Hussey (2008) : He asserted that "ratio analysis is a method used to elucidate and make sense of the connections inherent in specific financiall data that might othervise be disclosed lack significance." Moreover, he went on to emphasize that "financial ratios facilitate the ability to draw comparisons between companies of varying scales, a given company and the average for its industry, likellyy the performance trajectory of the same company across various timeframes."

6) Saleem and Rehman, (2011) :"Various stakeholders hold a vested fascintion with e fiscal undertakings of the enterprise, aiming to enhance their decision-making capabilities. Notably, distinct parties harbor keen attention towards the company's Liquidty stance and the degree of profitability, driven by specific rationales. Shareholders, who possess ownership in publicly traded entities, allocate capital to equities with the anticipation of elevated returns on their investments. Consequently, their predominant concern revolves around the company's Liquidty position, as this factor distinctly influences the assessment of the company's profitability standing."

7) International accounting standards (IFRS, 2006) :"Liquidty denotes the accessible cash that will be on hand in the imminent future, after accommodating financiallcomitmentsassocciated with thise timeframe. Liquidty risk involves the potential that the entity might encounter challenges in fulfilling its obligations to creditors, stemming from fluctuations in the balance between long-term and short-term borrowings and a lack of alignment with the composition of the organization's liabilities (Stoica, 2000)."

03. RESEARCH DESIGN

The goal of is research design is to provide a systematic way to effectively addressing specified research challenges. It describes the methodology used to attain research objectives, the resources and instruments used in the studis process, and the approach used to complete the study.

STATEMENT OF THE PR.OBLEM

Without a doubt, the importance of sound financial analysis in every industrial firm cannot be understated. In the present inflationary environment, financial inspection is perhaps more important than profit management. This necessitates financial managers' undivided attention and dedication. The complexities of financial analysis involve close attention, since each aspect requires separate management. Because of its crucial and complicated nature, this procedure necessitates the use of talent and judgment, as well as a keen knowledge of economic trends.The need of financial analysis is further emphasized by governments' anti-inflationary actions, which have resulted in a restrictive monetary environment. As a result, financial analysis has been driven into the most difficult domain of management, necessitating specialized knowledge for effective stewardship. Cash management has grown into a separate entity in modern times, emphasizing the importance of its analysis and administration. This is extremely important for both core and outer stakeholders, as it provides a way to analyzee the current state of company organizations.

NEED FOR THE STUDY

The studiesare significant becausee of th difficulties of depending just on raw accounting statistics for meaningful insights and comprehension. In this scenario, Liquidty analysis emerges as a powerful analytical tool. This tool allows management to examine the organization's ability to transform assets into liquid capital, which is a vital feature for every business.

In this context, Liquidty management develop use of accounting procedures to assess the need for cash reserves to meet financial commitments.

Monetary previous information is constatly needed and valued highly when contrasted to current data. The following are the benefits of studying liquidity analysis:

- Helpful in making accounting calculations simpler
- Helpful in positioning the company location.
- Helpful in determining operational effectiveness.
- Beneficial for comparing performance.

OBJECTVES OF THE STUDY

- To analyze the Liquidty status of Wadi Junction's Affiliated Cement Company Ltd..
- To gain an understanding of operational effectiveness and compute diverse Liquidty ratios.
- To juxtapose the reallLiquidty ratios with the company's established standards.
- To examine and contrast current performnce with past performance.
- To evaluate both short-term and long-term financial conditions, exploring ratios and thir impact on the operating cycle.
- To examination the compparison of interrelated elements suchcurrent asets and curent liabilities.

SCOPE OF THE STUDY

The scope of this studies was limited to ACC Ltd, Wadi Junction. The primary aim was to evalute the financilperformanc of the company by analyzing its balance sheets over a span of 5 years. Specifically, the study focused on assessing the corporation's financial performance over the years 2020 and 2021.

The study provides valuable insights to the management regarding the company's financial performance during these two years. It encompasses an examination of the Liquidty position, operational efficiency, identification of factors contributing to suboptimal performance, and the formulation of appropriate recommendations for improvement.

RESEARCH METHODOLOGY

Research

Analysts use exploration as a technique to find the most effective solution to a certain issue. This investigative approach helps determine the best course of action. A brief definition of research is "a meticulous investigation or inquiry, particularly involving the pursuit of novel information within a specific realm of knowledge."

A research technique is a methodical strategy used to solve recognized problems. It describes the precise strategy used to conduct the research process.

RESEARCH DESIGN

A research. design is a set up that outlines the sourcess from which the study's data should be gathered. This assignment uses an analytical/intelligent examination configuration, which means that the analyst must use facts and Infrmation that is freely accesibleand study them in order to provide a basic evaluation of performance.

DATA COLLECTION

It is a crucial component of every study's framework since it defines the methods used to solve research challenges. 2 separate metods are used to compile the data

1. PRIMARY DATA

Personal interviews with on-site visits to the firm accustomed to gather primary data. Direct interactions with the finance department accustomed to collect data.

2. SECONDARY DATA

Secondary data is drawn from a varity of corporate sources, including:

- Reliable reports
- Business journals
- The organization's annual reports, which include balance sheets and financial information including profit and loss statements.
- Information gleaned from the company's main website

LIMITATATON OF THE STUDY

- The study's focus was limited to that one organization.
- The study's boundaries were the organization's campus's buildings.
- Despite being short, the 6 week period allowed for a thorough research to be

completed.
• Due to their busy schedules, interactions with corporate personnel were limited.
• There were restrictions on how you may obtain past data.
• Ratios that rely on financial statements run the risk of producing incorrect data.

3. ANALYSIS AND INTERPRETATION

Introduction about the chapter:-

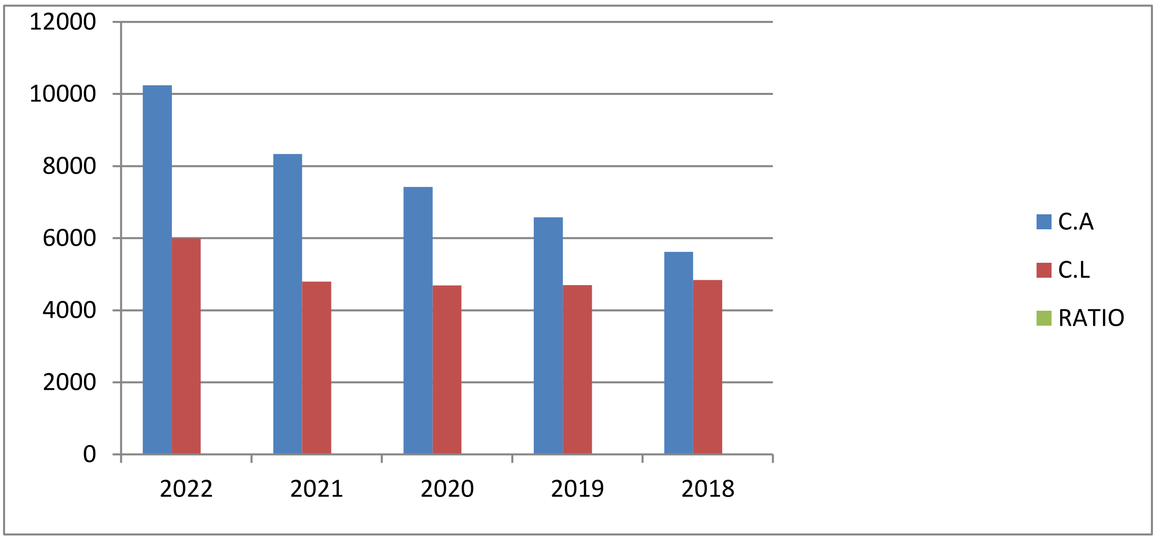
1. CURRENT RATIO :-

The link between the entire amount of current assets and the total amount of current liabilities is represented by the current ratio. By dividing current assets by current liabilities, this ratio is calculated. Typically, a 2:1 standard ratio is used as the reference point.

$$\textbf{CURRENT RATIO} = \frac{\textbf{CURRENT ASSETS}}{\textbf{CURRENT LIABILITY}}$$

TABLE SHOWING CURRENT RATIO

YEARS	C.A	C.L	RATIO
2022	10246	5993	1.7096613
2021	8331	4791	1.7388854
2020	7423	4685	1.5844184
2019	6582	4695	1.4019169
2018	5618	4841	1.160504



Interpretation

Its accounts payable for the five-year period from 2018 to 2022 demonstrate a consistent trend in its current ratio, which gauges its capacity to pay short-term commitments using current assets. According to the current ratio, which was 1.1605 in 2018, the corporation had $1.1605 in current assets for every dollar in current liabilities. As an indication of a more secure liquidity situation, this number progressively rose over the next years, hitting 1.4019 in 2019 and further strengthening to 1.5844 in 2020. The ratio stayed over the critical level of 1, indicating that the corporation constantly had more current assets than current liabilities throughout this time, even if it slightly decreased to 1.7389 in 2021 и 1.7097 in 2022.

2. QUICK RATIO:-

Yes, your justification is correct. If an asset can be quickly and with little delay changed into cash without suffering a major loss in value, it is said to be "liquid". A company's Liquidty is determined by its ability to pay its immediate debts on time. A company's current assets should ideally be equal to or larger than its current liabilities in order to guarantee that it can pay its short-term commitments without excessive difficulty. This ratio is frequently set at 1:1, which means that a company's current assets should be equal to or greater than its current liabilities.

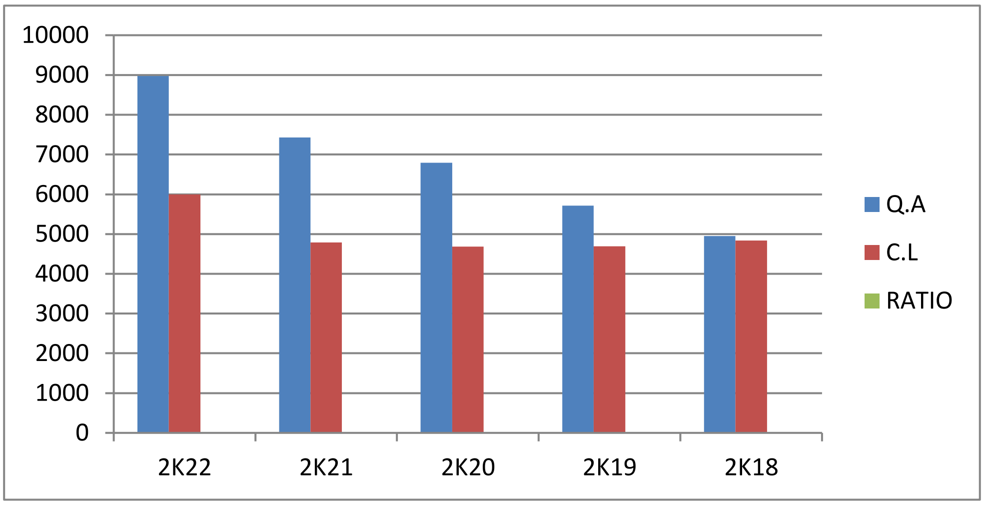
FORMULA :-

$$\textbf{QUICK RATIO} = \textbf{QUICK ASSET} \div \textbf{CURRENT LIABILITY}$$

TABLE SHOWING QUICK RATIO

Year	Q.A	C.L	RATIO
2k22	8973	5993	1.497246788
2k21	7431	4791	1.551033187
2k20	6795	4685	1.450373533
2k19	5714	4695	1.217039404
2k18	4950	4841	1.022516009

CHART SHOWING QUICK ASSET



Interpretation

The company's financial data for the five-year period from 2018 to 2022 demonstrates a constant pattern of liquidity and its capacity to meet short-term commitments, as shown by the Quick Ratio. According to the fast Ratio, which was 1.0225 in 2018, the firm has $1.0225 in fast assets accessible, excluding inventories, for every dollar of current liabilities. The following years saw a steady rise in this ratio, which reached 1.2170 in 2019 and further improved to 1.4504 in 2020, demonstrating an increasingly strong liquidity position. The Quick Ratio for 2021 was 1.5510, which shows that the company's ability to fulfill its immediate financial obligations is still strong. The ratio was 1.4972 in 2022, a tiny decline, but it stayed over the key level of 1, indicating that the firm continuously owned more than enough liquid assets to pay for its immediate obligations. This information shows how well the business is able to handle its immediate financial responsibilities. To get a complete picture of the company's overall financial health, it's essential to combine this study with a thorough examination of other financial metrics and industry benchmarks.

3. WORKING CAPITAL RATIO:

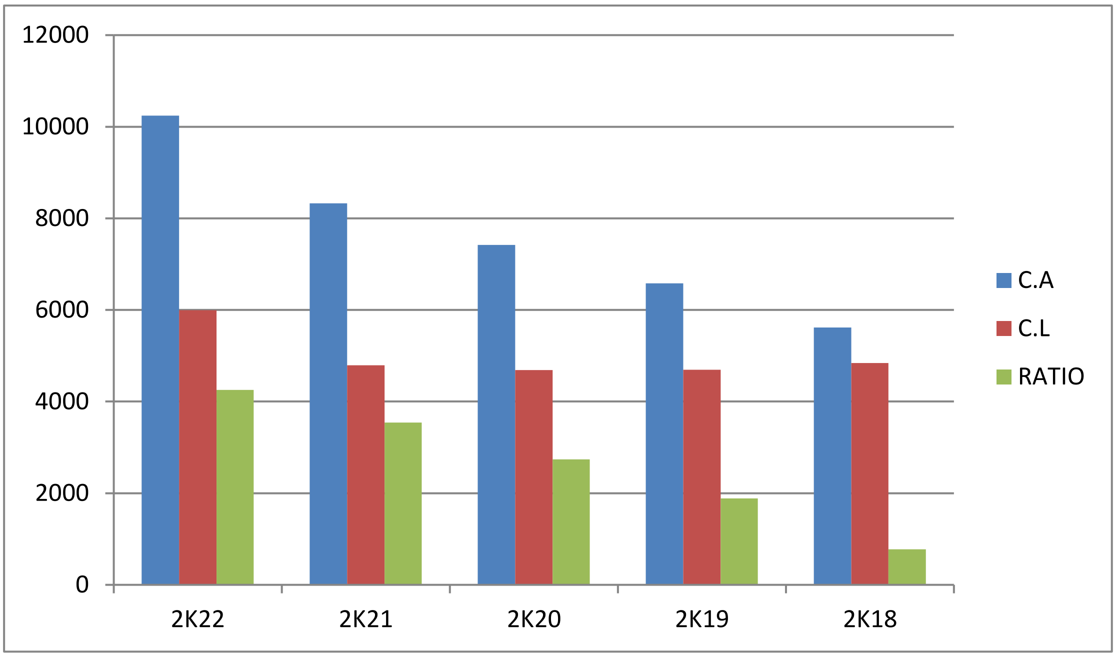
Working capital ratio is the ratio that illustrates the relationship between net sales and operating capital.
The formula is:

$$\textbf{WORKING CAPITAL RATION} = \textbf{CURRENT ASSETS} - \textbf{CURRENT LIABILITY}$$

TABLE SHOWING WORKING CAPITAL RATIO

YEARS	C.A	C.L	RATIO
2K22	10246	5993	4253
2K21	8331	4791	3540
2K20	7423	4685	2738
2K19	6582	4695	1887
2K18	5618	4841	777

CHART SHOWING WORKING CAPITAL RATIO



Interpretation

The business's current assets (C.A), current liabilities (C.L), and the resulting ratio are displayed in the financial data that is available for the years 2018 through 2022. The current ratio, which is determined by dividing current liabilities by current assets, is a crucial sign of a company's liquidity and its capacity to pay short-term commitments.

The corporation had lower liquidity at the beginning of 2018, with a current ratio of 0.777, but it gradually increased over time. The corporation had a healthy current ratio of 1.709 by 2022, indicating a stronger financial condition. This shows that the company's ability to pay its short-term commitments will be enhanced because in 2022 it had $1.709 in current assets for every dollar of current liabilities.

4. FINDING, SUGGESTION& CONCLUSION

FINDINGS:

- fast ratio showed a consistent pattern of changes during the five-year period, with The varied swings in the pace of rise over the last five years.
- The Firm had a healthy working capital position, guaranteeing it had the money for expansion.
- The debt-to-equity ratio for the fy 2017 was found to be 0.313829787.
- Over the period five-year period, the cash ratio consistently fluctuated upwards.
- From 2017 to 2018, the operational cash flow ratio decreased, then it increased for the next three years.
- The findings of the companies financial stability to the right decision of the financial health and risk profile

SUGGESTION:

- The current ratio steadily exeeds 1 , may indicates the company is having excess liquidity
- consider and optimizing working capital to improve returns on assets .
- while the pattern of the rising the C A over a period is encouraging the business must take care to prevent its current onbligations from exceeding its current assets.
- Working capital steady increase demonstrates efficient fund usage . It is best to the firm to continue this path looking far ways to go .
- The business should spend in the promotional initiatives to get a strong brand presence in the consumer thoughts in assistance to promote growth .
- Even the firm;s current ratiio has now positive should avoid any measures that may make it worse in edicit to defend against short term financial limitations
- Its important to highlight the company’s strong liquidity ratio during the last 5 yeaers
- An yearly rise in the liquidity ratio is advised to mainatain this financial health .
- Working capital's steady rise demonstrates efficient fund usage. It is best for the business to continue on this path while looking for ways to grow.

CONCLUSION

A targeted activity that includes techniques for assessing the organization's financialhealth,theliquidityresearchofthecompanygoesbeyondbeinga straightforward assignment. These findings are the result of this study's meticulous execution, which revealed important insights.

In conclusion, ACC Limited is now going through a very prosperous period compared to the previous ten years. The firm should prioritize growth and profit production in the up coming years while also carefully managing both internal

and external resources if it wants to take advantage of this momentum. In order to assure continued development and financial stability, the corporation must make major efforts to improve its liquidity situation.
The company's skillful resource management is clear from the fact that it has successfully attained the top spot in the cement business through its efficient methods. This accomplishment demonstrates the company's capacity for resource allocation and utilization efficiency, which helps to explain why it now holds the top spot.

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