

FINANCIAL REPORTING AND ANALYSIS

PROJECT REPORT

Name of the Company: Aditya Birla Nuvo Limited

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CERTIFICATE

This is to certify that the Project report done in for the company Aditya Birla Nuvo Limited submitted in partial fulfillment of the requirements for the course Financial Reporting and Analysis, is a record of original work done by Ms S.Darshana during First semester in RVS Institute of Management Studies and Research , RVS College of Arts and Science (Autonomous), Coimbatore - 641402, under my supervision and guidance .

Date: 20th November, 2016

Director

Course Coordinator

ABOUT THE COMPANY

Founded in 1956, Aditya Birla Nuvo Limited (“**Aditya Birla**” or the “**Company**”) is an India-based diversified conglomerate. ABNL is a US\$ 4.5 billion conglomerate by revenue size. It is part of Aditya Birla Group, a US\$ 40 billion Indian multinational. Aditya Birla operates its business across Financial Services, Telecom, Fashion & Lifestyle, IT-ITeS and Manufacturing sector. The razor-sharp focus on each business has made the company a leading player in most segments, including viscose filament yarn, apparel brands, agri business, textiles and insulators. Over the last few years, Aditya Birla Nuvo, through its subsidiaries and joint ventures, has created a leadership position in consumer centric businesses such as life insurance, asset management, lending and other financial services and telecom.

Joint ventures and subsidiary companies:

- **Idea Cellular Limited** is among the top three cellular operators in India, in terms of revenue market share
- **Birla Sun Life Insurance Co. Limited** is among the top five private sector life insurance companies in India, in terms of assets under management
- **Birla Sun Life Asset Management Co. Limited** is the fourth largest asset management company in India, in terms of assets under management
- **Pantaloons Fashion & Retail Limited** is among the top three large format fashion retailers in India.

**COMMON SIZE ANALYSIS OF STATEMENT OF PROFIT
AND LOSS FOR ADITYA BIRLA NUVO Ltd. FOR THE
YEAR 2015 AND 2016:**

	Mar '16	Mar '15	FY 16	FY 15
Income				
Sales Turnover	5,661.35	9,118.34	100.00	100.00
Excise Duty	194.9	180.08	0.03	0.02
Net Sales	5,466.45	8,938.26	0.97	0.98
Other Income	196.02	171.51	0.03	0.02
Stock Adjustments	67.05	43.44	0.01	0.00
Total Income	5,729.52	9,153.21	1.01	1.00
Expenditure				
Raw Materials	3,337.98	4,746.53	0.59	0.52
Power & Fuel Cost	652.59	843.01	0.12	0.09
Employee Cost	450.16	741.6	0.08	0.08
Miscellaneous Expenses	386.26	1,636.48	0.07	0.18
Total Expenses	4,826.99	7,967.62	0.85	0.87
Operating Profit	706.51	1,014.08	0.12	0.11
PBDIT	902.53	1,185.59	0.16	0.13
Interest	280	263.3	0.05	0.03
PBDT	622.53	922.29	0.11	0.10
Depreciation	119.04	189.36	0.02	0.02
Profit Before Tax	503.49	732.93	0.09	0.08
PBT (Post Extraordinary Items)	503.49	732.93	0.09	0.08
Tax	143.47	205.24	0.03	0.02
Reported Net Profit	360.02	527.69	0.06	0.06

INFERENCE:

1. Aditya Birla Nuvo Ltd. is a conglomerate thus the major revenue of the company comes from its textile business, allied chemicals etc., thus from this income statement we can analyse the performance of the company.
2. The excise duty is imposed on the manufactured goods, it is known to increase due to may be the change in taxation rate.
3. The other income has increased as compared to last year which may be the cause of getting income on investments made.
4. The cost on raw material, power & fuel cost, employee cost and miscellaneous expenses has come down which shows us that the company has cut down its costs, which is economical for the company in order to increase the profit.
5. The interest expense has increased which shows that the company has borrowed debts based on which the fixed obligation to pay interest is met.
6. The depreciation cost has decreased which shows us that the company has sold some assets or the assets may have become obsolete.
7. The tax payment has decreased because the company has got lesser profit on which tax is levied.

COMMON SIZE ANALYSIS OF BALANCE SHEET OF ADITYA BIRLA NUVO FOR THE YEAR 2015 & 2016

	Mar '16	FY 16	Mar '15	FY 15
Sources Of Funds				
Total Share Capital	130.22	1.07	130.14	1.09
Equity Share Capital	130.22	1.07	130.14	1.09
Reserves	8,429.00	69.12	8,388.85	70.15
Net worth	8,559.22	70.19	8,518.99	71.24
Secured Loans	782.51	6.42	1,037.75	8.68
Unsecured Loans	2,853.19	23.4	2,402.08	20.09
Total Debt	3,635.70	29.81	3,439.83	28.76
Total Liabilities	12,194.92	100	11,958.82	100
Application Of Funds				
Gross Block	3,501.32	28.71	4,005.63	33.5
Less: Accumulated Depreciation	1,979.13	16.23	2,246.07	18.78
Net Block	1,522.19	12.48	1,759.56	14.71
Capital Work in Progress	55.04	0.45	108.02	0.9
Investments	9,472.34	77.67	8,724.99	72.96
Inventories	680.02	5.58	1,247.00	10.43
Sundry Debtors	1,435.18	11.77	2,251.14	18.82
Cash and Bank Balance	108.09	0.89	45.05	0.38
Total Current Assets	2,223.29	18.23	3,543.19	29.63
Loans and Advances	445.36	3.65	513.93	4.3
Total CA, Loans & Advances	2,668.65	21.88	4,057.12	33.93
Current Liabilities	1,304.03	10.69	2,418.27	20.22
Provisions	219.27	1.8	272.6	2.28
Total CL & Provisions	1,523.30	12.49	2,690.87	22.5
Net Current Assets	1,145.35	9.39	1,366.25	11.42
Total Assets	12,194.92	100	11,958.82	100

INFERENCE:

1. The common size analysis of the balance sheet of the company Aditya Birla Nuvo Ltd. is made which is a conglomerate firm.
2. The total share capital is known to decrease as compare to FY 15 which was 1.09% of total liabilities to 1.07% in year 2016; this may be due to buyback of shares.
3. The reserves are said to decrease from 70% to 6%, due to lesser retention of profits by the company.
4. The company has paid out some of its secured loans as expressed in the table while the unsecured loans have been taken which is represented by the increase in the amount.
5. The current liabilities and provisions are known to decrease since the company has met its creditors' claims.
6. Coming to the asset side of the balance sheet, the value of assets has decreased due the sale of some assets, while the depreciation also shows a decrease,
7. The capital work in progress has decrease since the company is approaching its stage of completion.
8. The investments is known to have increased as the company may have purchased some long term investments from the market,
9. The debtors have decreased as compared to year 2015, while inventories and cash balance has showed an increase.
10. Overall the company has performed well as compared to last year by meeting its debts and receiving its claims from the debtors.

RATIO ANALYSIS

LIQUIDITY RATIO		
Current Ratio	1.459522	1.316745
Quick Ratio	1.01311	0.853326
SOLVENCY RATIO		
Long term debt to Equity	0.42477	0.403784
Debt to Equity	1.473444	1.530521
Debt to Capital	0.423045	0.512651
Financial Leverage	1.42477	1.403784
Total debt	1.473444	1.530521

- **CURRENT RATIO** = CURRENT ASSETS/CURRENT LIABILITIES
- **QUICK RATIO** = (CASH+MARKETABLE SECURITIES + RECEIVABLES) /CURRENT LIABILITIES
- **LONG TERM DEBTS TO EQUITY** =LONG TERM DEBT/ TOTAL EQUITY
- **DEBT TO EQUITY** = TOTAL DEBT/(EQUITY+RESERVES AND SURPLUS)
- **DEBT TO CAPITAL** = TOTAL DEBT/(TOTAL DEBT+ EQUITY+RESERVES AND SURPLUS)
- **FINANCIAL LEVERAGE** = TOTAL ASSETS/TOTAL EQUITY
- **TOTAL DEBT** = TOTAL DEBT/TOTAL ASSETS

INFERENCE:

1. **Current Ratio:** Higher current ratio implies healthier short term liquidity comfort level. A current ratio below 1 indicates that the company may not be able to meet its obligations in the short run. ABNL's average current ratio is 1.45 times which indicates that the Company has been maintaining sufficient cash to meet its short term obligations.
2. **Quick ratio:** The quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. The company has more liquidity as compared to the previous year, which is shown by the quick ratio since quick ratio greater than 1 is considered to be good.
3. **Long Term Debt to Equity Ratio:** Companies operating with high debt to equity on their balance sheets are vulnerable to economic cycles. Companies with high levels of debt find it increasingly difficult to service the interest on their borrowings as profit margins decline. We believe that long term debt to equity ratio higher than 0.6 – 0.8 could affect the business of a company and its results of operations. ABNL's average long term debt to equity ratio is 0.45 which indicates that the Company is operating with a significant level of debt.
4. **Debt to Equity:** It is used to measure the company's financial leverage, the company has maintained a good level of debt to equity which represents a value less than 2 which is considered that the company is operating at a good level.
5. **Financial Leverage:** represents the use of debt to acquire additional assets. The company is maintaining a decent ratio which is below 2 .i.e. 1.45 in average.
6. **Total Debt ratio:** It represents the proportion of company's assets financed by debt (i.e. the ability of company to meet its debt through selling its assets) has decreased as there has been a sale of assets while increasing debt.

INTER COMPANY COMMON SIZE ANALYSIS OF ADITYA BIRLA NUVO & GRASIM IN YEAR 2015 & 2016 (APPAREL SECTOR)

	<i>ADITYA BIRLA NUVO</i>		<i>GRASIM</i>		<i>ADITYA BIRLA NUVO</i>		<i>GRASIM</i>	
	Mar '16	FY 16	Mar '16	FY 16	Mar '15	FY 15	Mar '15	FY 15
Sources Of Funds								
Total Share Capital	130.22	1.07	93.35	0.67	130.14	1.09	91.87	0.76
Equity Share Capital	130.22	1.07	93.35	0.67	130.14	1.09	91.87	0.76
Share Application Money	0	0	0.01	0	0	0	0.01	0
Preference share capital	0	0	0	0	0	0	0	0
Reserves	8,429.00	69.12	12,277.15	87.78	8,388.85	70.15	11,091.05	91.56
Net worth	8,559.22	70.19	12,370.51	88.45	8,518.99	71.24	11,182.93	92.32
Secured Loans	782.51	6.42	987.51	7.06	1,037.75	8.68	839.79	6.93
Unsecured Loans	2,853.19	23.4	627.67	4.49	2,402.08	20.09	90.95	0.75
Total Debt	3,635.70	29.81	1,615.18	11.55	3,439.83	28.76	930.74	7.68
Total Liabilities	12,194.92	100	13,985.69	100	11,958.82	100	12,113.67	100
Application Of Funds								
Gross Block	3,501.32	28.71	9,957.77	71.2	4,005.63	33.5	7,323.14	60.45
Less: Accum. Depreciation	1,979.13	16.23	2,921.73	20.89	2,246.07	18.78	2,135.60	17.63
Net Block	1,522.19	12.48	7,036.04	50.31	1,759.56	14.71	5,187.54	42.82
Capital Work in Progress	55.04	0.45	317.65	2.27	108.02	0.9	450.36	3.72
Investments	9,472.34	77.67	5,687.42	40.67	8,724.99	72.96	5,350.34	44.17
Inventories	680.02	5.58	1,609.41	11.51	1,247.00	10.43	1,433.15	11.83
Sundry Debtors	1,435.18	11.77	992.37	7.1	2,251.14	18.82	687.49	5.68
Cash and Bank Balance	108.09	0.89	36.1	0.26	45.05	0.38	53.19	0.44
Total Current Assets	2,223.29	18.23	2,637.88	18.86	3,543.19	29.63	2,173.83	17.95
Loans and Advances	445.36	3.65	1,303.59	9.32	513.93	4.3	1,205.14	9.95
Total CA, Loans & Advances	2,668.65	21.88	3,941.47	28.18	4,057.12	33.93	3,378.97	27.89
Current Liabilities	1,304.03	10.69	2,351.77	16.82	2,418.27	20.22	1,750.13	14.45
Provisions	219.27	1.8	645.12	4.61	272.6	2.28	503.41	4.16
Total CL & Provisions	1,523.30	12.49	2,996.89	21.43	2,690.87	22.5	2,253.54	18.6
Net Current Assets	1,145.35	9.39	944.58	6.75	1,366.25	11.42	1,125.43	9.29
Total Assets	12,194.92	100	13,985.69	100	11,958.82	100	12,113.67	100

INFERENCE:

- 1 The common size analysis of the balance sheet of the company Aditya Birla Nuvo Ltd. and Grasim is made which belongs to apparel industry.
- 2 Taking the total assets and total liabilities as 100, each asset and liability is expressed as a percentage of the total assets/liabilities respectively.
- 3 The equity share capital of the Aditya Birla Nuvo Ltd. is higher than Grasim, while the reserves of the Grasim are known to be much higher than Aditya Birla Ltd.
- 4 Aditya Birla Ltd. has higher debt capital comprising of both secured and unsecured loans, it also has higher current liabilities in comparison.
- 5 Grasim has higher amount of current assets and fixed assets as compare with the Aditya Nuvo Ltd., it has the higher ability to pay back its debts.
- 6 We can conclude that Grasim has a better performance than Aditya Birla Nuvo Ltd. since it has sufficient reserves, assets and other resources to meet its debts, since the solvency of the company is higher.

CASH FLOW STATEMENT OF ADITYA BIRLA NUVO LTD:

	Mar '16	Mar '15
Net Profit Before Tax	503.49	732.93
Net Cash From Operating Activities	633.67	787.75
Net Cash (used in)/from	-595.29	-356.32
Investing Activities		
Net Cash (used in)/from Financing Activities	-20.62	-425.78
Net (decrease)/increase In Cash and Cash Equivalents	17.76	5.65
Opening Cash & Cash Equivalents	41.51	35.86
Closing Cash & Cash Equivalents	59.27	41.51

INFERENCE:

1. The cash flow from operating activities has decreased as compared to year 2015 which may be due to the decrease in the profit or increase in current assets or decrease in current liabilities.
2. The cash flow from investing activities has decreased which shows that the company is investing on Capital Expenditure or on securities of some other company, but compared to the last year they have made lesser investments in CAPEX.
3. The company's cash from financing activities have increased as compared to the last year which shows that the company has borrowed more capital as compared to the year 2015 or repaid less capital borrowed earlier.
4. This represents that the company has been financing their investments by using the operational incomes and has been able to repay the borrowed debts. Thus, the overall company's cash position has improved as compared to the previous year.

RATIO ANALYSIS:

	2016	2015
Net Revenue	5,466.45	8,938.26
Revenue From Operations [Net]	5,422.58	8,868.06
Equity Share Capital	130.22	130.14
Total Assets	13,718.22	14,649.69
Total Equity Shares	13.02	13.02
Total Operating Revenues	5,466.45	8,938.26
Net Profit Before Tax	503.49	732.93

- **CASH FLOW TO REVENUE = CASH FLOW FROM OPERATIONS/ NET REVENUE**
- **CASH RETURN ON ASSETS = CASH FLOW FROM OPERATIONS/ AVERAGE TOTAL ASSETS**
- **CASH RETURN ON EQUITY = CASH FLOW FROM OPERATIONS/ AVERAGE SHAREHOLDERS EQUITY**
- **CASH TO INCOME = CASH FLOW FROM OPERATIONS/OPERATING INCOME**
- **CASH FLOW PER SHARE = (CASH FLOW FROM OPERATIONS – PREFERENCE DIVIDENT)/ NUMBER OF COMMON SHARES OUTSTANDING**

INTERPRETATION:

- **CASH FLOW TO REVENUE = 0.115919838**

This ratio gives the analysts and investors indications about the ability of a company to generate cash from its sales. It shows the ability of a company to turn its sales into cash. The higher this ratio is the better it is for the company. Greater amounts of operating cash flows are always desirable. But this company has lesser cash flow from revenue which represents that the company has more credit sales and is not able to turn the sales to cash.

- **CASH RETURN ON ASSETS = 0.05**

The cash asset ratio compares the dollar amount of highly liquid assets (such as cash and marketable securities) for every one dollar of short-term liabilities. This figure is used to measure a firm's liquidity or its ability to pay its short-term obligations. This company has lesser liquidity to convert the cash to assets.

- **CASH RETURN ON EQUITY = 4.87**

This ratio shows the amount of operating cash that the equity shareholders may receive as a part of better operations. We can interpret that the company has a higher return on the investment made on equity in the form of operational revenue.

- **CASH TO INCOME =0.12**

This represents the amount of operational income received by the company over the total amount of operational cash received.

- **CASH FLOW PER SHARE = 48.66**

Cash per share is the percentage of a firm's share price that is immediately accessible for spending on activities such as research and development, mergers and acquisitions, purchasing assets, paying down debt, buying back shares and making dividend payments to shareholders. This company has a high cash flow per share which represents that the company is performing well.

Comment about the Company

ABNL is a part of the Aditya Birla Group, a USD 41 billion Indian multinational. Over the years, Aditya Birla Nuvo has built many large-scale businesses from scratch. Mergers and acquisitions have also played a key role in the Company's transformational journey from a small manufacturing company in the late nineties to a USD 3.6 billion conglomerate today:

1. The company's sale has gone down and so has their expenses to maintain the profit margin as depicted in the statement of profit and loss.
2. However, the income statement shows that the company has issued certain borrowed capital or there may be some merger or acquisition because of which there is an increase in the equity share value. The debt taken by the company to finance its projects have increased, the company should however reduce dependence on borrowed capital as it will be a fixed obligation for the company and interest payments can reduce the profits of the company.
3. The company has made investments in shares or in CAPEX which will be beneficial for the company as it would provide better returns. During the past 5 years, the Company has invested close to 5,800 Crore in its businesses towards the capex and capital infusion requirements. Dividend receipts of about ` 500 Crore and equity infusion of 1,500 Crore during this period have also supported the balance sheet.
4. The ratio analysis provides a picture of company's stability in performance while the disinvestment in Birla Sun Life Insurance and realisation of fertilisers subsidy to the tune of 489 Crore in April 2016, the leverage stands at a comfortable position and the balance sheet stands geared up to fund its future growth plans. Net Debt to EBITDA and Net Debt to Equity stood at 4.5 times and 0.44 times respectively as on 31st March 2016.
5. The overall cash position is good as the cash from operating expenses is helped to finance the business.

SUGGESTIONS:

1. The company can reduce its dependence on debt for financing its projects as it creates a fixed obligation for the company.
2. The company can enter into merger or acquisition with its competitors like Grasim(CRISIL=AAA) as it will help the company to reduce the cost of borrowings .It will provide access to larger pool of funds through capital markets in the form of both debt as well as equity.