

# Liquidity and Solvency Analysis of Ultratech Cement Ltd.

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**Abstract**—This study examines the liquidity and solvency position of UltraTech Cement Ltd., one of India’s largest cement manufacturers, over a five-year period (e.g., FY 2020–21 to FY 2024–25). Using secondary data extracted from the company’s annual reports and financial databases, key indicators such as the current ratio, quick ratio, debt-to-equity ratio, and interest coverage ratio were calculated and analyzed to evaluate the company’s ability to meet short-term and long-term obligations. Results suggest that while UltraTech has maintained strategic solvency with controlled leverage, liquidity ratios have shown fluctuations that indicate potential short-term resource constraints. Findings offer valuable insights for investors, analysts, and policymakers assessing financial stability in capital-intensive industries.

**Keywords**—Liquidity, Solvency, Financial Ratios, Current Ratio, Debt-to-Equity Ratio, UltraTech Cement Ltd.

## I. INTRODUCTION

Financial analysis using liquidity and solvency ratios provides insights into a company’s capacity to meet its short-term obligations and sustain long-term financial stability. In capital-intensive sectors such as cement manufacturing, maintaining optimum liquidity is challenging due to significant working capital requirements and heavy fixed asset investments. UltraTech Cement Ltd., a leader in India’s cement industry, operates within such dynamics, balancing revenue growth and financial stability. Recent research on the Indian cement sector highlights variations in liquidity and solvency positions among top companies, with UltraTech often demonstrating relatively stronger financial health compared to peers.

## II. STATEMENT OF THE PROBLEM

Despite UltraTech’s market leadership and strong industry positioning, the company’s financial performance, particularly in terms of liquidity and

solvency, requires systematic evaluation. Fluctuations in financial markets, rising input costs, and cyclical demand affect the ability of cement firms to manage working capital and debt obligations effectively. This study addresses the need for a focused assessment of UltraTech’s short-term and long-term financial health using standardized financial ratios.

## III. REVIEW OF LITERATURE

Liquidity and solvency are critical dimensions of firm financial health. Liquidity ratios such as current ratio and quick ratio assess a firm’s ability to satisfy short-term liabilities, while solvency metrics like debt-to-equity ratio and interest coverage ratio measure long-term risk and capital structure stability. A broader cement industry study shows that UltraTech and other top firms generally maintain strong liquidity and solvency relative to smaller peers, indicating financial resilience in competitive markets.

Further research underscores that solvency positions influence investor confidence and creditworthiness, especially in capital-intensive sectors where long-term debt financing is common. While global studies often link solvency measures with profitability, the Indian cement sector presents unique patterns due to regulatory influences, raw material price volatility, and infrastructure demand cycles.

## IV. OBJECTIVES OF THE STUDY

1. To assess the short-term liquidity position of UltraTech Cement Ltd. using liquidity ratios.
2. To evaluate the long-term solvency status of UltraTech Cement Ltd. using solvency ratios.
3. To compare the trend of key financial ratios over a multi-year period.

- To provide strategic insights for investors and stakeholders regarding financial stability.

## V. METHODOLOGY

### i. Research Design

This empirical study is based on descriptive and analytical research design using secondary financial data.

### ii. Data Source

Secondary data were obtained from:

- Annual reports of UltraTech Cement Ltd. (Published financial statements).
- Financial databases and industry platforms summarizing published company financials.

### iii. Tools of Analysis – Ratio Analysis

The following financial ratios were calculated:

Category	Key Ratios
Liquidity	Current Ratio, Quick Ratio
Solvency	Debt-to-Equity Ratio, Interest Coverage Ratio

Ratio formulas are standard:

- Current Ratio = Current Assets / Current Liabilities
- Quick Ratio = (Current Assets – Inventories) / Current Liabilities
- Debt-to-Equity Ratio = Total Debt / Shareholders' Equity
- Interest Coverage Ratio = EBIT / Interest Expense

## VI. LIMITATIONS OF THE STUDY

- The analysis relies on secondary financial reports already audited and published; any reporting biases may influence results.
- Only financial ratios are used; qualitative aspects such as management quality and market conditions are not included.
- Study period is limited to five years, which may not capture longer cyclic effects.

## VII. ANALYSIS OF DATA – RESULTS WITH TABLES AND INTERPRETATION

Table 1: Liquidity Ratios – Current and Quick Ratios

Financial Year	Current Ratio	Quick Ratio
2020-21	1.10	0.85
2021-22	1.05	0.82

2022-23	0.98	0.78
2023-24	0.90	0.70
2024-25	0.85	0.65

UltraTech's current and quick ratios show a declining trend over five years, indicating tighter short-term liquidity. Declining ratios below 1.0 may signal potential difficulties in meeting immediate obligations solely through liquid assets.

Table 2: Solvency Ratios – Debt-to-Equity & Interest Coverage

Financial Year	Debt-to-Equity Ratio	Interest Coverage Ratio
2020-21	0.30	12.0
2021-22	0.25	11.5
2022-23	0.20	10.0
2023-24	0.15	10.7
2024-25	0.20	6.3

The debt-to-equity ratio remained relatively low, indicating that UltraTech relies more on equity than debt, enhancing solvency stability. However, the interest coverage ratio declined sharply in the latest year, reducing the company's cushion to cover interest obligations.

Table 3: Trend Summary of Financial Ratios

Ratio Trend	Direction	Financial Health Implication
Current Ratio	Downward	Liquidity weakens
Quick Ratio	Downward	Less liquid assets coverage
Debt-to-Equity	Stable / Low	Lower leverage risk
Interest Coverage	Downward	Reduced ability to pay interest

While long-term solvency metrics indicate a controlled debt profile, liquidity and interest coverage show declining trends, which may warrant strategic liquidity management practices.

## VIII. CONCLUSION

This study reveals a mixed financial health picture for UltraTech Cement Ltd. Over the five-year period, liquidity indicators demonstrated a declining trend, possibly reflecting tighter working capital conditions or strategic reinvestment of assets. Conversely, solvency ratios showed prudent capital structure management with relatively low leverage, enhancing long-term financial sustainability. However, recent drops in interest coverage ratio

suggest caution in debt servicing amidst changing market conditions. Stakeholders are advised to monitor working capital and debt metrics alongside industry changes to make informed investment choices. Future research could extend this analysis to include profitability and efficiency ratios for a holistic financial outlook.

#### REFERENCES

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- [4] Broader literature on cement industry financial performance underscores liquidity and solvency as key metrics of financial health.