GE-International Journal of Management Research
Vol. 4, Issue 11, November 2016 Impact Factor- 5.779
ISSN(O): 2321-1709, ISSN(P): 2394-4226
© Associated Asia Research Foundation (AARF)
Website: www.aarf.asia Email : editor@aarf.asia , editoraarf@gmail.com

"AN ANALYTICAL STUDY OF COMPANIES FINANCIAL PERFORMANCE WITH SPECIAL REFERENCE TO CEMENT INDUSTRIES"

[1]Prof. Mayur. S. Punde, [2]Dr. Sanjay Patankar
[1] Research Scholar SIOM, Assistant Professor AISSMS-IOM,PUNE.
[2] Research Guide SIOM, Director AISSMS-IOM,PUNE.

ABSTRACT

This research paper helps us to find out Financial Performance of Cement Industries with selective Financial Performance. This research Paper talks about Profitability ratio over a period of five years. It studies Liquidity position of Cement Sector with select parameters & only for selective companies & also profitability also.

Key Words: Cement Sector, Financial Performance, Market Capitalization, Gross Profit, Net Profit, Operating Profit.

Introduction to cement industry

India is the second largest producer of cement in the world. No wonder, India's cement industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. Ever since it was deregulated in 1982, the Indian cement industry has attracted huge investments, both from Indian as well as foreign investors.

India has a lot of potential for development in the infrastructure and construction sector and the cement sector is expected to largely benefit from it. Some of the recent major government initiatives such as development of 98 smart cities are expected to provide a major boost to the sector.

Cement demand in India is expected to increase due to government's push for large infrastructure projects, leading to 45 million tonnes of cement needed in the next three to four years1.

India's cement demand is expected to reach 550-600 million tonnes per annum (MTPA) by 2025. The housing sector is the biggest demand driver of cement, accounting for about 67 per cent of the total consumption in India. The other major consumers of cement include infrastructure at 13 per cent, commercial construction at 11 per cent and industrial construction at nine per cent.

To meet the rise in demand, cement companies are expected to add 56 million tonnes (MT) capacity over the next three years. The cement capacity in India may register a growth of eight per cent by next year end to 395 MT from the current level of 366 MT. It may increase further to 421 MT by the end of 2017. The country's per capita consumption stands at around 190 kg.

The Indian cement industry is dominated by a few companies. The top 20 cement companies account for almost 70 per cent of the total cement production of the country. A total of 188 large cement plants together account for 97 per cent of the total installed capacity in the country, with 365 small plants account for the rest. Of these large cement plants, 77 are located in the states of Andhra Pradesh, Rajasthan and Tamil Nadu

Review of literature

Arora and Sarkar (2002) it is observed that the boom in the real estate and construction industry in India has caused for a sudden and sharp increase in the price of cement to the extent of price increment as high as 17 per cent in a single month. They attempt to use the theories of collusive behaviour to explain this sudden increase. Parameters studied include the firm concentration index, region-wise production and consumption, capacity utilization, cost to sales ratio, etc. Their analysis clearly demonstrates that the sudden surge in the price of the cement is neither due to the demand-supply mismatch nor a sudden increment in the cost of producing cement.CAR report (2004) reasons out that the demand for cement is directly linked with the economic growth of the country. With the National GDP expected to grow at seven to eight per cent and the long run demand elasticity of cement with respect to GDP being estimated to be 1.4, the quantity of cement demanded in the country is expected to grow by more than 10 per cent. The report states that the “Working Group on Cement Industry”, constituted by the Planning Commission for the formulation of Tenth Five Year Plan too has projected a growth rate of 10 per cent for the cement industry during the plan period. In terms of end use, housing sector is the largest consumer of cement in the country, accounting for about 60 per cent of the total consumption.

Jayant Sathaye (2005) the study revealed that, the India cement industry has grown rapidly over the past few decades and there have been significant investments in new cement kilns and associated production equipment. This has led to situation where India’s cement industry in made up of both some of the world’s most energy-inefficient plants as well as some of the world's best practice facilities. The challenge for the Indian cement industry is to modernize or phase out the older, inefficient plants while acquiring the best possible cement production technology as production inevitably expands in the coming decades.

In 2013, **Prof. Acharekar** studied the various factor affecting the working capital requirement in cement industry. To assess the relative significance of various sources of working capital. To analyse relative asset liquidity and finance liquidity in cement industry.

In 2013, Dr. P. Krishna Kumar, investigate the progress of Indian cement industry since 1991, in terms of its growth in installed capacity, production, exports and value additions. In detail the research methodology used for the study that has focused on the past, present and future performance of cement industry at the Macro Level.

OBJECTIVES

1. To assess the profitability position of selected cement companies.
2. To analyze the liquidity position of the firm & to examine the growth of selected cement companies.
3. To know the financial performance of the cement industries.

Research Methodology

In detail the research methodology used for the study that has focused on the past, present and the future performance of Indian Cement Industry (ICI) at the macro level.

The study purely relies on secondary data. The secondary data were collected for a period of five years (2011-2015) from the database maintained and made available by several organizations viz., Cement Manufacturers Association

- **METHOD OF RESEARCH**

The method of research used for the project is subjective.

- **DATA COLLECTION**

Secondary data studies whole companies records and companies balance sheet in which the project work has been done. In addition, a number of reference books, journals and reports were also used to formulate the theoretical model of the study. And some information also drawn from the websites.

- **TOOLS**

Statistical tools like mean, median, standard deviation, variance.

- **Market capitalization**

(market cap) is the total market value of the shares outstanding of a publicly traded company; it is equal to the share price times the number of shares outstanding.

Top cement Companies in India by Market Capitalization:

Company Name	Last Price	% Chg	52 wk High	52 wk Low	Market Cap (Rs. cr)
UltraTechCement	3,159.00	0.61	3,369.50	2,581.15	86,692.87
Shree Cements	12,240.00	-0.72	13,344.90	9,350.00	42,640.76
Ambuja Cements	225.1	-0.46	266.4	185	34,935.24
ACC	1,439.30	1.57	1,677.60	1,173.25	27,051.64
Ramco Cements	442.75	5.19	443.1	303	10,624.97

RATIOS

Profitability ratio

- **Net profit margin :-Net profit margin** is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends (but not common stock dividends) have been deducted from a company's total revenue.

The formula for net profit margin is:

(Total Revenue – **Total Expenses)/Total Revenue = Net Profit/Total Revenue = Net Profit** Margin

- **Gross profit margin:-** Gross profit margin is a financial metric used to assess a firm's financial health by revealing the proportion of money left over from revenues after accounting for the cost of goods sold. Gross profit margin serves as the source for paying additional expenses and future savings.

Calculated as: $$\text{Gross Profit Margin} = \frac{\text{Revenue - COGS}}{\text{Revenue}}$$

- **operating margin:-** The operating margin ratio, also known as the operating profit margin, is a profitability ratio that measures what percentage of total revenues is made up by operating income. In other words, the operating margin ratio demonstrates how much revenues are left over after all the variable or operating costs have been paid. Conversely, this ratio shows what proportion of revenues is available to cover non-operating costs like interest expense.

Formula:-

OPERATING MARGIN RATIO = OPERATING INCOME/ NET SALES

Liquidity and solvency ratio

- **Current ratio** :- The current ratio is a financial ratio that measures whether or not a firm has enough resources to pay its debts over the next 12 months. It compares a firm's current assets to its current liabilities.

The current ratio is an indication of a firm's market liquidity and ability to meet creditor's demands.

The current ratio is calculated by **Current ratio = current assets / current liabilities**

- **Quick Ratio**:- Quick Ratio also known as Acid Test Ratio, shows the ratio of cash and other liquid resources of an organization in comparison to its current liabilities. Formula

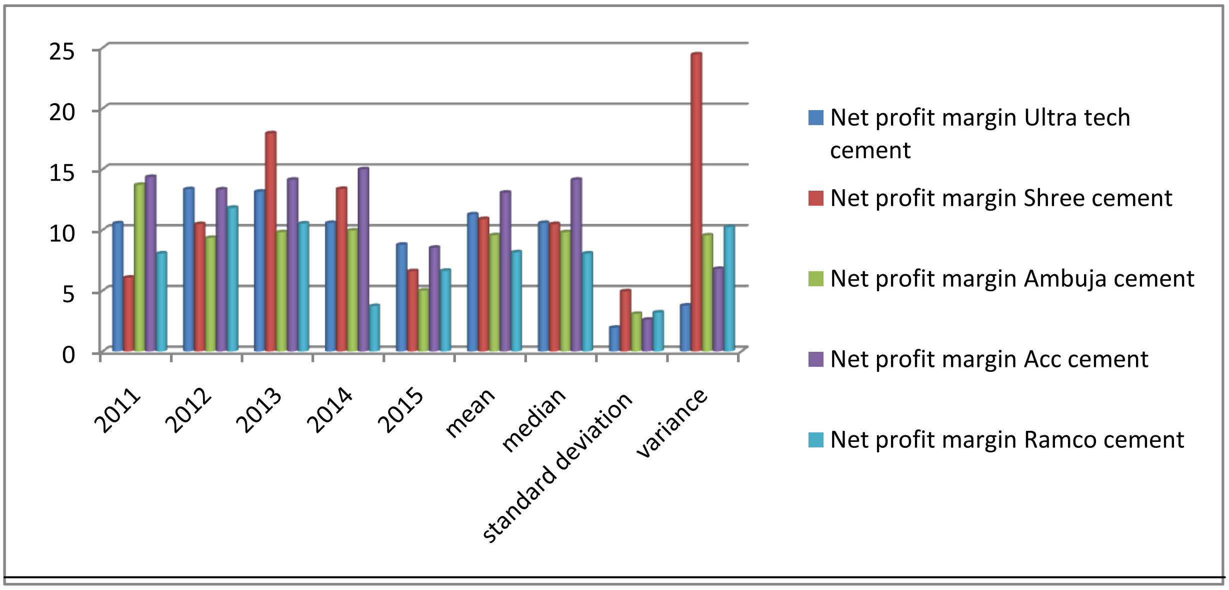
$$\text{Quick Ratio} = \frac{\text{Cash in hand + Cash at Bank + Receivables + Marketable Securities}}{\text{Current Liabilities}}$$

- **Debt-to-equity ratio :-** The debt-to-equity ratio is a measure of the relationship between the capital contributed by creditors and the capital contributed by shareholders. It also shows the extent to which shareholders' equity can fulfill a company's obligations to creditors in the event of a liquidation.

Debt-to-Equity Ratio = Total Debt / Total Equity.

Net profit margin

Years	Ultra tech cement	Shree cement	Ambuja cement	Acc cement	Ramco cement
2011	10.54	6.07	13.71	14.36	8.06
2012	13.35	10.48	9.34	13.33	11.82
2013	13.15	17.95	9.81	14.13	10.53
2014	10.57	13.37	9.95	14.99	3.73
2015	8.78	6.6	5.01	8.53	6.64
mean	11.278	10.894	9.564	13.068	8.156
median	10.57	10.48	9.81	14.13	8.06
standard deviation	1.941873	4.944657	3.089819	2.60544	3.199911
variance	3.77087	24.44963	9.54698	6.78832	10.23943

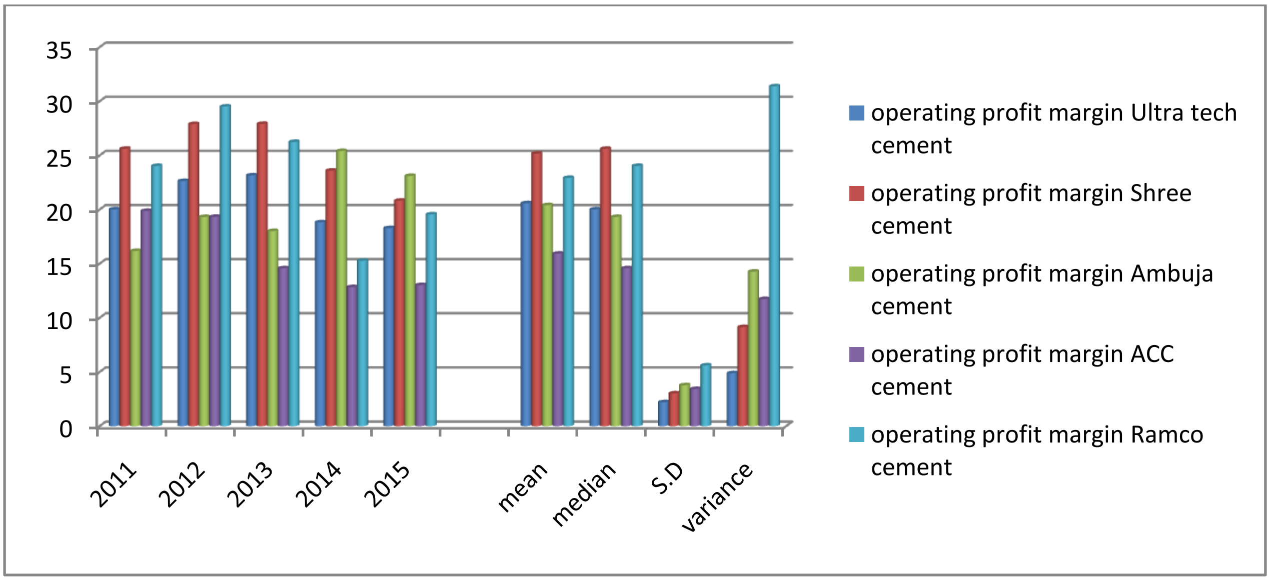


Interpretation

It can be seen that the highest mean is 13.068 of acc cement while the lowest is 8.156 of Ramco cement. Highest variance is observed in Shree cement. It can be said that acc cement is leading with negligible variance level.

Operating profit margin

Year	Ultra tech cement	Shree cement	Ambuja cement	ACC cement	Ramco cement
2011	20.02	25.62	16.18	19.88	24.03
2012	22.64	27.9	19.32	19.33	29.52
2013	23.16	27.92	18.02	14.58	26.25
2014	18.82	23.6	25.41	12.84	15.28
2015	18.29	20.82	23.11	13.03	19.56
mean	20.586	25.172	20.408	15.932	22.928
median	20.02	25.62	19.32	14.58	24.03
S.D	2.211059	3.025115	3.777667	3.425751	5.602229
variance	4.88878	9.15132	14.27077	11.73577	31.38497

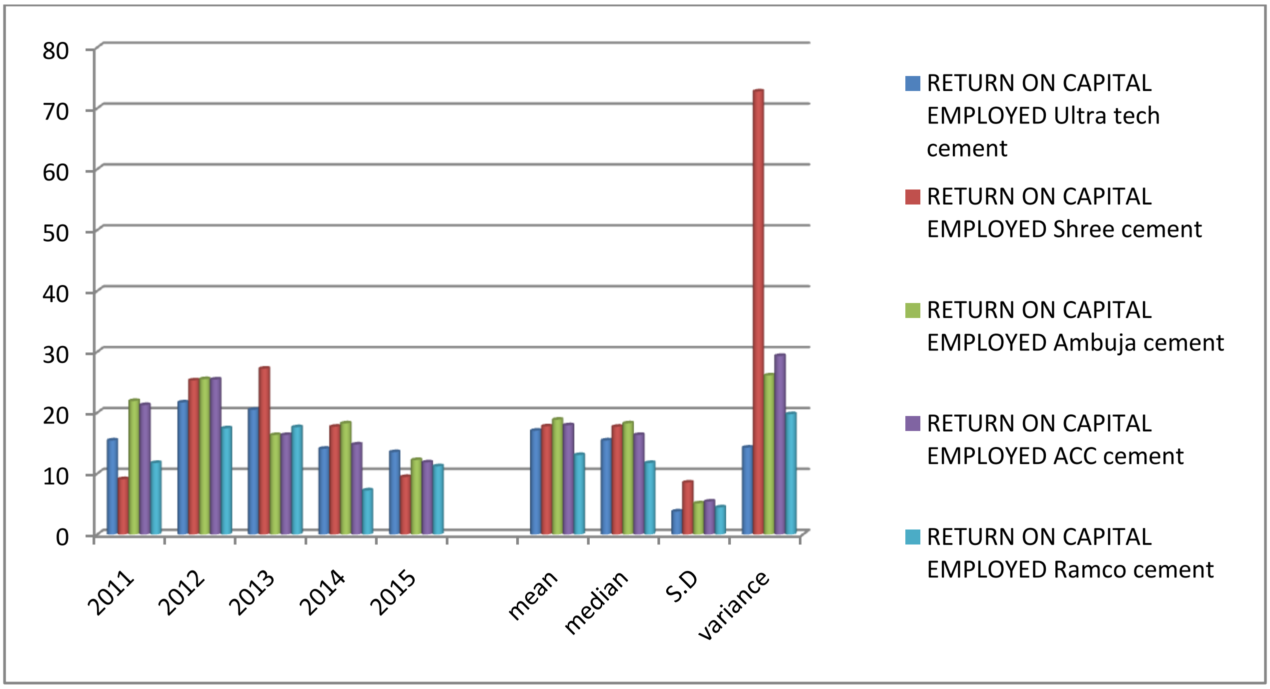


Interpretation

It can be seen that the highest mean is 25.175of Shree cement while the lowest is 15.932 of Acc cement. Highest median is observed in Shree cement while Highest variance is observed in Ramco cement. Shree company not only has highest operating profit but also has the least variation amongst the others,

RETURN ON CAPITAL EMPLOYED

	Ultra tech cement	Shree cement	Ambuja cement	ACC cement	Ramco cement
2011	15.45	9.09	21.93	21.26	11.74
2012	21.69	25.31	25.52	25.46	17.44
2013	20.48	27.24	16.33	16.34	17.62
2014	14.08	17.7	18.25	14.78	7.24
2015	13.53	9.45	12.23	11.84	11.2
mean	17.046	17.758	18.852	17.936	13.048
median	15.45	17.7	18.25	16.34	11.74
S.D	3.777093	8.530848	5.111509	5.41591	4.445551
variance	14.26643	72.77537	26.12752	29.33208	19.76292

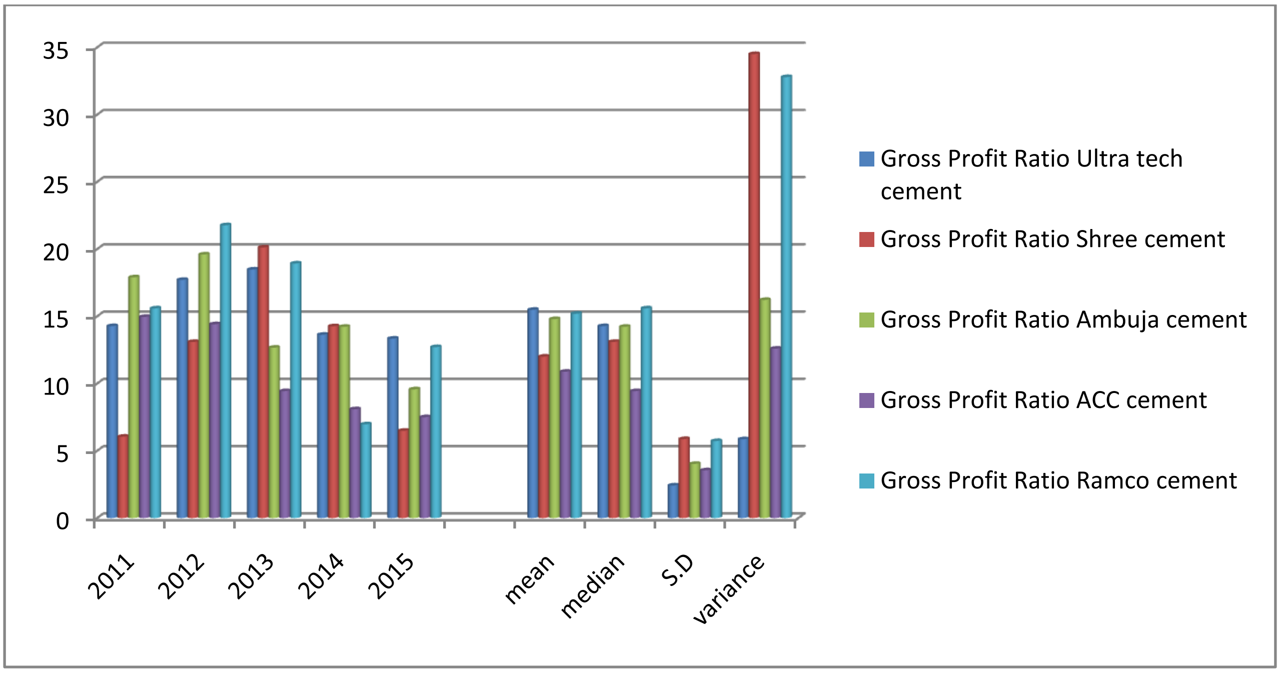


Interpretation

Highest mean, median is observed 18.852 , 18.25 of Ambuja cement respectively. Ambuja cement provides better return on the capital with least variations.

Gross profit ratio

	Ultra tech cement	Shree cement	Ambuja cement	ACC cement	Ramco cement
2011	14.27	6.05	17.9	14.96	15.59
2012	17.71	13.1	19.6	14.41	21.77
2013	18.48	20.12	12.67	9.44	18.93
2014	13.63	14.26	14.22	8.09	6.97
2015	13.34	6.49	9.57	7.5	12.71
mean	15.486	12.004	14.792	10.88	15.194
median	14.27	13.1	14.22	9.44	15.59
S.D	2.420688	5.873979	4.027278	3.549275	5.726315
variance	5.85973	34.50363	16.21897	12.59735	32.79068



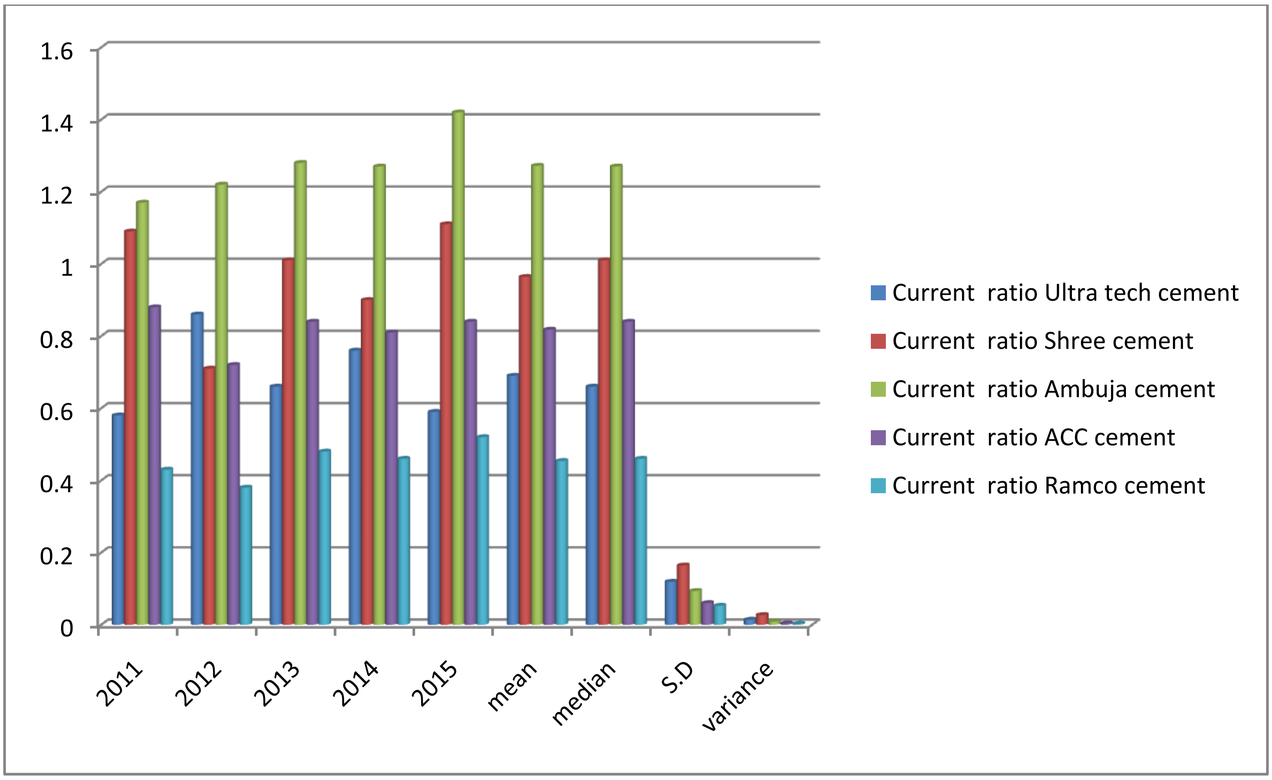
Interpretation

Ultratech Company has the highest gross profit average of 15.486 with lowest variations amongst its counterparts. Acc company is in the decline with respect to gross profit but it can be seen that it has less variations.

Liquidity and solvency ratio

Current ratio

	Ultra tech cement	Shree cement	Ambuja cement	ACC cement	Ramco cement
2011	0.58	1.09	1.17	0.88	0.43
2012	0.86	0.71	1.22	0.72	0.38
2013	0.66	1.01	1.28	0.84	0.48
2014	0.76	0.9	1.27	0.81	0.46
2015	0.59	1.11	1.42	0.84	0.52
mean	0.69	0.964	1.272	0.818	0.454
median	0.66	1.01	1.27	0.84	0.46
S.D	0.119164	0.164256	0.093648	0.060166	0.052726
variance	0.0142	0.02698	0.00877	0.00362	0.00278

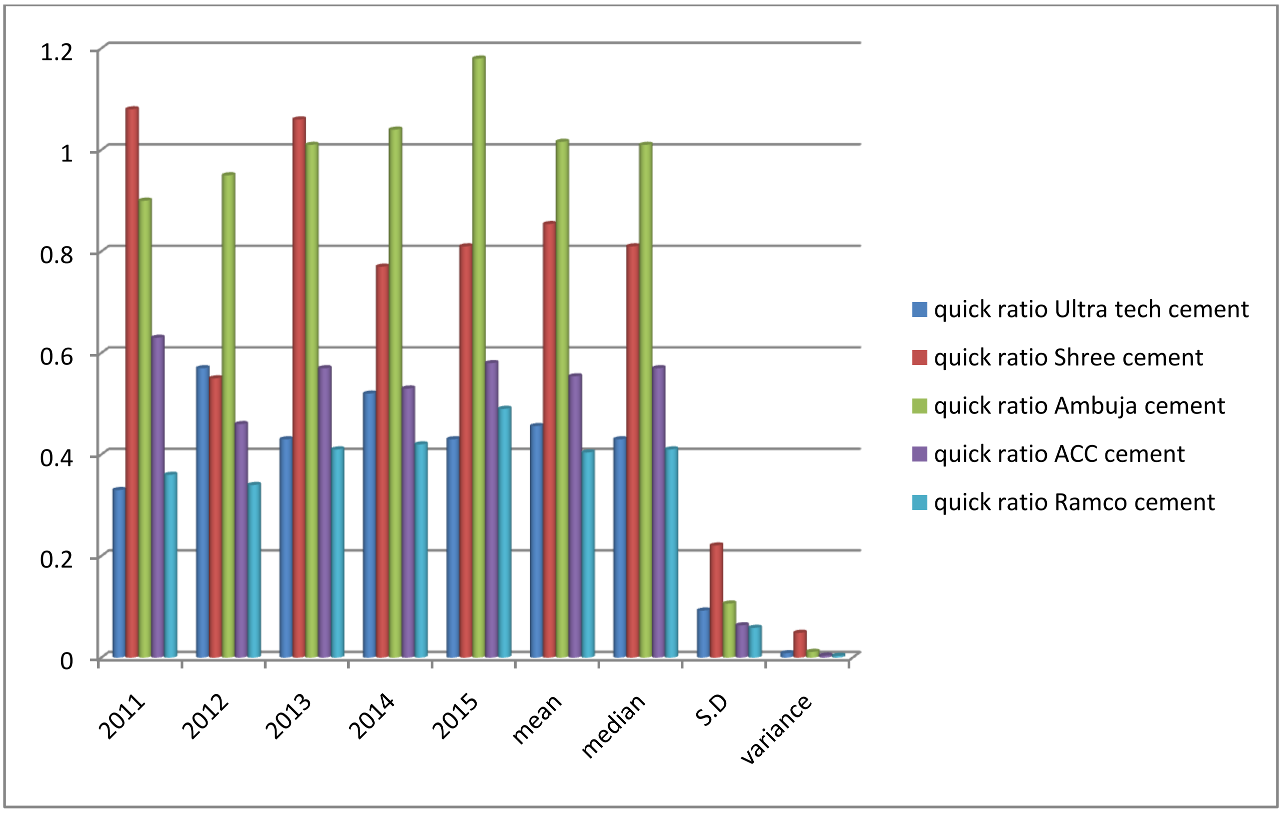


Interpretation

Ambuja cement has the highest current ratio indicating its ability to meet short term emergencies. Ambuja cement has negligible variances. The lowest current ratio is of Ramco cement.

Quick ratio

	Ultra tech cement	Shree cement	Ambuja cement	ACC cement	Ramco cement
2011	0.33	1.08	0.9	0.63	0.36
2012	0.57	0.55	0.95	0.46	0.34
2013	0.43	1.06	1.01	0.57	0.41
2014	0.52	0.77	1.04	0.53	0.42
2015	0.43	0.81	1.18	0.58	0.49
mean	0.456	0.854	1.016	0.554	0.404
median	0.43	0.81	1.01	0.57	0.41
S.D	0.092628	0.220749	0.106442	0.063482	0.058566
variance	0.00858	0.04873	0.01133	0.00403	0.00343

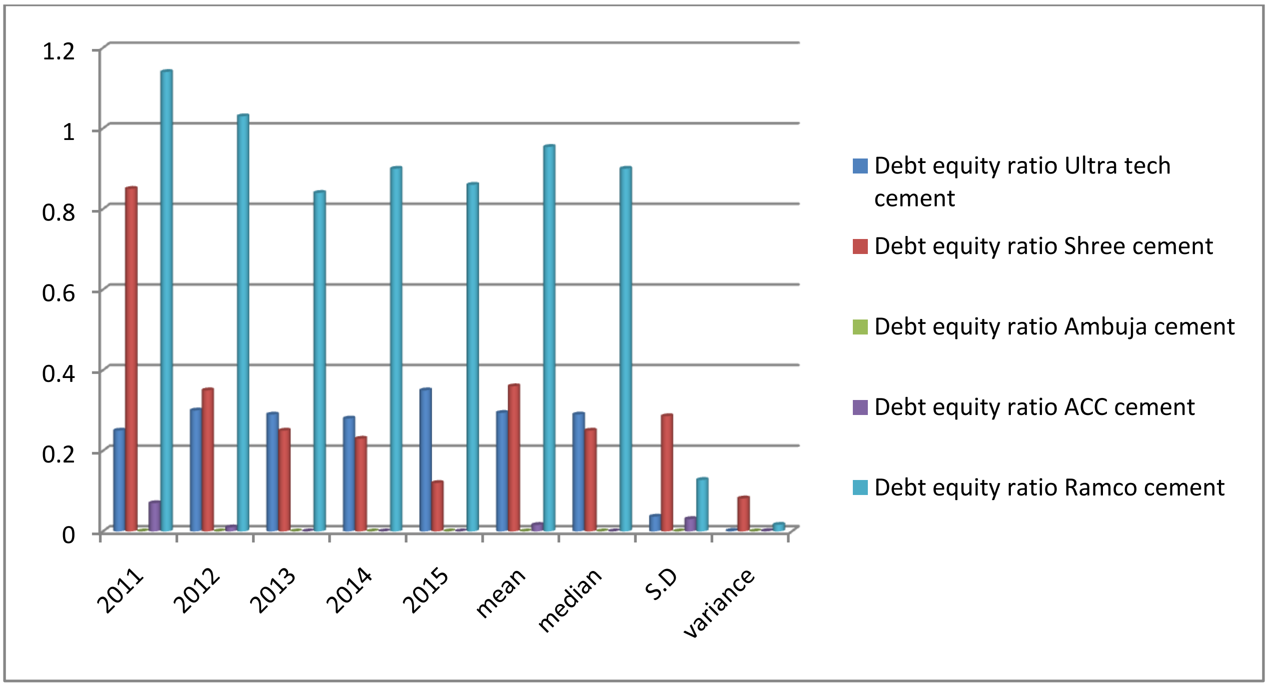


Interpretation

Ambuja cement has the highest quick. ratio indicating its ability to meet short term emergencies. Ambuja cement has negligible variances. The lowest quick ratio is of Ramco cement.

Debt equity ratio

	Ultra tech cement	Shree cement	Ambuja cement	ACC cement	Ramco cement
2011	0.25	0.85	0	0.07	1.14
2012	0.3	0.35	0	0.01	1.03
2013	0.29	0.25	0	0	0.84
2014	0.28	0.23	0	0	0.9
2015	0.35	0.12	0	0	0.86
mean	0.294	0.36	0	0.016	0.954
median	0.29	0.25	0	0	0.9
S.D	0.036469	0.285832	0	0.030496	0.127593
variance	0.00133	0.0817	0	0.00093	0.01628



Interpretation

Debt/Equity Ratio is a debt ratio used to measure a company's financial leverage, calculated by dividing a company's total liabilities by its stockholders' equity. The D/E ratio indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholders' equity. It can be seen that Ambuja cement has nil debt in its capital.

Findings

Highest net profit is 13.068 of Ambuja cement while the lowest is 8.156 of Ramco cement. Highest variance is observed in Shree cement. It can be said that Ambuja cement is leading with negligible variance level

Highest operating profit margin is 25.175of Shree cement while the lowest is 15.932 of Acc cement. Highest median is observed in Shree cement while Highest variance is observed in Ramco cement. Shree company not only has highest operating profit but also has the least variation amongst the others

Highest return on capital employed mean, median is observed 18.852 , 18.25 of Ambuja cement respectively. Ambuja cement provides better return on the capital with least variations.

Ultratech Company has the highest gross profit average of 15.486 with lowest variations amongst its counterparts. Acc company is in the decline with respect to gross profit but it can be seen that it has less variations

Ambuja cement has the highest current ratio indicating its ability to meet short term emergencies. Ambuja cement has negligible variances. The lowest current ratio is of ramco cement.

Ambuja cement has the highest quick. Ratio indicating its ability to meet short term emergencies. Ambuja cement has negligible variances. The lowest quick ratio is of ramco cement.

Debt/Equity Ratio is a debt ratio used to measure a company's financial leverage, calculated by dividing a company's total liabilities by its stockholders' equity. The D/E ratio indicates how much debt a company is using to finance its assets relative to the amount of value represented in shareholders' equity. It can be seen that ambuja cement has nill debt in its capital.

Conclusion

It is fare to say that Ambuja Cement is over shadowing its competitors with flying colors while the Ramco Cement is on declining phase.

Highest net profit is 13.068 of ambuja cement while the lowest is 8.156 of ramco cement. Highest variance is observed in shree cement. It can be said that ambuja cement is leading with negligible varience level. Highest operating profit margin is 25.175of shree cement while the lowest is 15.932 of Acc cement. Highest median is observed in shree cement while Highest variance is observed in ramco cement. Shree company not only has highest operating profit but also has the least variation amongst the others

Highest return on capital employed mean, median is observed 18.852 , 18.25 of ambuja cement respectively. ambuja cement provides better return on the capital with least variations. Ultratech Company has the highest gross profit average of 15.486 with lowest variations amongst its counterparts. Acc company is in the decline with respect to gross profit but it can be seen that it has less variations. ambuja cement has the highest current ratio indicating its ability to meet short term emergencies. Ambuja cement has negligible variances. The lowest current ratio is of ramco cement.

ambuja cement has the highest quick. Ratio indicating its ability to meet short term emergencies. Ambuja cement has negligible variances. The lowest quick ratio is of ramco cement. It can be seen that ambuja cement has nill debt in its capital.

Bibliography

Website:-

www.ambujacement.com

www.ramcomcement.com

www.shreecement.com

www.ultratechcement.com

www.accc.com

www.moneycontrol.com