



Financial performance analysis of select cement companies

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Abstract

The Indian cement industry is the second largest in the world after china's. In terms of excellence, yield and effectiveness, it compares with the best anywhere. It is almost entirely home growth, built, indigenously and using locally obtained inputs. Barring one or two exceptional years, the performance in the last two decades has been quite consistent and commendable in terms of modernization, expansion, growth in production, and improvement in productivity and cost efficiency.

The first India cement industry was setup in 1904 at coriander in Gujarat. In 1925, two factories were again established in kaini in Madhya Pradesh and Lahari in Rajasthan. The cement manufactures association of India came into being in 1927. At present, the industry has an installed capacity of over 137 million tons from 124 plants. Most of this capacity is modern and based on the energy efficient dry process technology. There are as many as 64 plants of a million tons or more capacity.

Keywords: financial, cement companies, technology

1. Introduction

Cement industry in India was under full control and supervision of the government. However, it got relief at a large extent after the economic reform. But government interference, especially in the pricing, is still evident in India. In spite of being the second largest cement producer in the world, India falls in the list of lowest per capita consumption of cement. The reason behind this is the poor rural people who mostly live in mud huts and cannot afford to have the commodity. Despite the fact, the demand and supply of cement in India has grown up. In a fast developing economy like India, there is always large possibility of expansion of cement industry.

The economic development strategy chosen by India after the Second World War was very identical to China's industrialization and the dominance of the state in the economy. Development was regarded synonymous with industrialization and industry was concentrating mainly on basic goods like steel and machinery. Private capital was not seen as an effective measure for development and it was assumed to have a inclination towards monopolization. Because of that, state control was considered to be effective. The chosen development strategy was one of import substitution. Development policies included licensing of industrial activity, the reservation of key areas for state activity, controls over foreign direct investment and interventions in the labor market (Kaplinksky, 1997).

The industry occupies an important place in the national economy because of its strong linkages to other sectors such as construction, transportation, coal and power. The cement industry is also one of the major contributors to the exchequer by way of indirect taxes.

1.2 Statement of the problem

1. Financial administrative has been developed and reconstructed by changing condition of the modern methods of professional management.
2. Financial analysis is the process of finding the financial strength and weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account.
3. Financial statement is a mirror, which reflects the financial position and operating strength or weakness of the concern.
4. These statements are useful to management, investor, creditors, bankers, workers and government and public.
5. These people use financial statement to judge the financial performance of the company, liquidity and profitability and projection of future profitability.
6. The analysis and interpretation of financial statement is essential to bring out the mystery behind the figures in financial statements.
7. Interpretation will involve the comparison of different figures in financial periods. The comparison of figures of different periods will enable the stakeholders to determine the financial strength of the company.

1.3 Need for the study

Finance shows a figure in the development of any economy. At the micro level the financial viability of any corporate sector indicates the strength of the company. For the purpose of inspecting the strength of any company or corporate sector, the financial strength is taken as the indicators. Future conclusions of the company are made only on the basics of previous performance. To identify the asset, the researches use

certain indicators of finance. In the present project it is attempted to inspect the performance of select cement companies (Ultra Tech, Ramco, Shree, JK Laxmi, and PRISM). The financial performance analysis of ULTRA Tech, Ramco, Shree, JK Laxmi, and Prism Companies will give the company a good view about their past performance. The study provides an idea to the public about the liquidity, Profitability, turnover and trend position of the company. This study also recommends various measures by which the company can utilize the various opportunities available to them strive for their improvement.

1.4 Objective of the study

To inspect the financial performance of selected cement companies (Ultra Tech, Ramco, Shree, JK Laxmi, and PRISM) has been undertaken with the following objectives in view.

1. To measure the profitability position of the company.
2. To classify the liquidity position of the company.

1.6 Methodology

The analytical methods were accepting for carrying out the study. The secondary data collected from various sources were subject to detailed analysis

1.7 Tools and Techniques of analysis

1. Ratio analysis

1.8 Limitation of the study

- The study covers the period of 5 years between 2012 to 2016. It does not study the changes that have been taken place before and after the period.
- Only limited factors defining the liquidity, solvency and profitability were measured for the purpose of study.

The study covers only selected companies in the industry, therefore it implies that the conclusion drawn is uncertain in nature and firm generalization should be avoided for entire undertakings

1.9 Practical utility of the study

- Though the study is minor, the result of the study will be useful to the developer.
- It can be used for remedial action in the industry.
- Know the requirements of the company.

2. Analysis and Interpretation

2.1 Ratio Analysis

Ratio analysis is the process of determining and presenting the relationship of items and group of items in the statements. According to Batty J. Management Accounting ratio can assist management in its basic functions of forecasting, planning

coordination, control and communication. Ratio analysis is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various ratios for helping in making certain decision. It is only a means of better understanding of financial strengths and weakness of a firm.

There are number of ratio which can be calculated from the information given in the financial statements, but the analyst has to select the appropriate data and calculate only a few appropriate ratios from the same keeping in mind the objectives of analyst.

Ratios provide clues to the financial position of a concern. These are the points or indicators of financial strength, soundness position or weakness of an enterprise. It is helpful to know about the liquidity, solvency, capital structure and profitability of an organization. It is helpful tool to aid in applying judgment, otherwise complex situations.

Table 1: Current Ratio

Particulars	Ultra	Ramco	Shree	Jk	Prism
2012	1.3654663	0.688073	1.36539	1.44498	0.91226
2013	1.172017	0.776377	1.60320	0.99868	0.89748
2014	1.3445419	0.715063	1.55382	0.97120	0.94322
2015	0.7982973	0.830036	1.61066	0.69011	1.03856
2016	0.8653223	0.875226	1.93433	0.67572	0.99779
Minimum	0.7982973	0.688073	1.36539	0.67572	0.89748
Maximum	1.3654663	0.875226	1.93433	1.44498	1.03856
Average	1.109129	0.776955	1.61348	0.95614	0.957862
Standard deviation	0.2651137	0.077791	0.20504	0.31242	0.059259
Coefficient of variance	0.2390287	0.100123	0.12708	0.32675	0.061865

Source: Annual Report

Interpretation

An random standard of current ratio is 2:1 indicates that for every one rupee of current liability two rupee of current assets is available.

The above table shows Ultra tech current ratio is good for the beginning years. In the year 2015 ratio was falls 0.79 and the period 2016 ratio was falls 0.86. This shows that there is no short term solvency of the company. Ramco, JK, Prism companies are having below 2:1 ratio of maximum years. Jk cement, while comparing the 5 years first year only it was worthy. These have problems paying its bills on time. However, low values do not indicate a critical problem but should concern the management. Ramco & Prism both are same level. But all year was bellow 1 percentage. Those companies can improve much better level.

While comparing all the companies' shree cement company had a best current ratio. It was having above 2:1 Current ratio for every year and simultaneously every year had some improvement.

Table 2: Acid test or quick ratio

Particulars	Ultra	Ramco	Shree	Jk	Prism
2012	0.95124	0.36209	1.10663	1.2243	0.56264
2013	0.81251	0.40752	1.22883	0.82	0.58357
2014	1.05958	0.31291	1.01371	0.8311	0.63244
2015	0.53068	0.46999	1.22793	0.4901	0.66006

2016	0.63840	0.5059	1.22793	0.48714	0.66875
Minimum	0.53068	0.31291	1.01371	0.48714	0.56264
Maximum	1.05958	0.5059	1.22883	1.2243	0.66875
Average	0.79849	0.41168	1.16101	0.77053	0.62149
Standard deviation	0.21739	0.07827	0.09773	0.30453	0.04675
Coefficient of variance	0.27226	0.19014	0.08418	0.39523	0.07522

Source: Annual report

Interpretation

Above the table indications, only shree cement was continuously having above 1:1 ratio. It is the suitable position. Other companies are not having the above 1:1 ratio. It does not necessarily mean satisfactory liquidity position if all the

debtors cannot be recognized and cash is needed immediately to meet the current obligations. In the same manner a low quick ratio does not unavoidably mean a bad liquidity position as inventories are not absolutely liquid. This shows that the firms' liquidity position is not so good.

Table 3: Absolute Liquid Ratio

Particulars	Ultra	Ramco	Shree	Jk	Prism
2012	0.24686	0.2237	0.37682	0.32827	0.2069
2013	0.21093	0.20623	0.49081	0.31403	0.2292
2014	0.21093	1.47095	0.30939	0.13813	0.1795
2015	0.14916	0.14835	0.52046	0.138	0.1847
2016	0.29381	0.19023	0.67537	0.11737	0.1568
Minimum	0.14916	0.14835	0.30939	0.11737	0.1568
Maximum	0.29381	1.47095	0.67537	0.32827	0.2292
Average	0.22234	0.44790	0.47457	0.20716	0.1914
Standard deviation	0.05321	0.57258	0.14100	0.10452	0.0276
Coefficient of variance	0.23930	1.27839	0.29712	0.50455	0.1441

Source: Annual Report

Interpretation

The above table shows ultra tech had 0.2 ratios of maximum years. It was the suitable position. Ultra, Jk, and Prism companies are having averagely 0.22, 0.20, 0.19 ratio the

firms want to improve the much better level of absolute liquid ratio.

Ramco & shree companies are having 0.44, 0.47 it was nearly 0.5 liquid ratio. Both are having best absolute liquid ratio.

Table 4: Debt equity ratio

Particulars	Ultra	Ramco	Shree	Jk	Prism
2012	0.37766	0.73193	0.29910	0.7729	0.87811
2013	0.33940	0.58760	0.11527	0.8713	1.08648
2014	0.35041	0.61253	0.09481	1.0834	1.36875
2015	0.26475	0.65781	0.07607	1.1115	1.55407
2016	0.2276	0.34848	0.08428	1.2939	1.45711
Minimum	0.2276	0.34848	0.07607	0.7729	0.87811
Maximum	0.37766	0.73193	0.29910	1.2939	1.55407
Average	0.31196	0.58767	0.13391	1.0266	1.26890
Standard deviation	0.06303	0.14454	0.09351	0.2064	0.27960
Coefficient of variance	0.20205	0.245946	0.69825	0.2010	0.22034

(Source: Annual Report)

Interpretation

The above table shows the connection describing the lenders contribution for each rupee of owner's contribution. Ultra & Ramco had an average level of owner's fund. On 2016 both companies had low level owners' fund. Shree cement also maintaining the average level of owner's fund. Only on 2015 it had a very low level of owner's contribution. While comparing 5 companies JK & prism cement companies are good position. It was continually maintaining 1:1 debt equity ratio.

3. Findings, Suggestions and Conclusion

3.1 Findings

- **Current ratio:** Shree Cement Company had a top current ratio. It was having above 2:1 Current ratio for every year and simultaneously every year had some improvement.
- **Quick ratio:** Shree cement was always having above 1:1 ratio. It is the satisfactory position.
- **Absolute liquid ratio:** Ultra tech had 0.2 ratios of maximum years.
- **Debt equity ratio:** JK and Prism cement companies are

decent position.

3.2 Suggestions

- Ramco company can increase their liquid position of the company
- Prism Company should expand their overall performance. The past 2 years sales volume cannot increase effectively. It's contributed so much expenses of changes in inventories of finished goods, work in progress and Stock-In Trade and employee benefit expenses. The profit was very poor in past 5 years.

4. Conclusion

Cement is one of the core industries defined under the Industrial Policy Resolutions adopted in the early stage of planning in India. The cement industry has played a pivotal role in reviving up the Indian economy by maintaining an impressive rate of growth during the post-independence period. Its development implications essentially have to be seen in the larger context of national economy rather than in a regional or sub-regional context. Cement industry's performance is crucial to the economy to the extent of the growth of infrastructure. In the previous chapters, the origin and growth of cement industry and financial performance of the selected cement companies relating to liquidity, long term solvency, activity and profitability have been examined. The summary of findings and conclusions drawn on the basis of findings are presented in this chapter.

The study was piloted for a period of five years 2012 to 2016 from the selected cement companies (ultra, Ramco, shree, jk, and prism). The balance sheet and profit & loss account was obtained from the annual report published by the companies. The financial performance was examined by using financial ratios. The analysis of five year reveals that while compared the financial performance of the companies Ultra Tech Cement Company was worthy for the Absolute liquid ratio.

The analysis of five year reveals that while compared the financial performance of the companies Shree Cement Company was worthy for the Current ratio and Quick ratio.

5. References

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