A Study on Financial Performance of Cement Companies in India with Reference to Ultratech Cement Limited and India Cement Limited - A Comparative Analysis

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Abstract

The Indian cement industry is the second largest in the world after China. It is playing vital role to providing employment, infrastructure and housing sector. The production capacity is projected to reach 550-600 Million Tons Per Annum (MTPA) by financial year 2025. In this study the author select two companies, Ultra Tech Cement is the largest cement company in India and amongst the leading producers of cement globally. India Cement is Tamil Nadu’s oldest and largest cement manufacturing Company. In the year 1949, they started manufacturing Cement via their plant at Sankarnagar, which was capable of producing 1 lakh tons cement per year. For the result Comparative analysis Ultra Tech Cement Company must improve their short term solvency position.

Key words: Cement, Ultra Tech Cement, India cement, Ratio Analysis.

I. Introduction

India’s cement industry is playing an important role of its economy, providing employment to more than a million people, directly or indirectly. The construction industry in India relies heavily on the cement industry for natural reasons Indian as well as foreign Companies have invested billions in the Indian cement Industry after regulations were lifted off in 1982.

During the next four to five years, the Indian Cement market is projected to witness a Compound Annual Growth Rate (CAGR) of around 8.96 Percent. Approximately, 67% of the cement consumption can be attributed to the housing Sector in India, 13% to the Infrastructure Sector, 11% to the Commercial construction segment and 9% Industrial Construction Cement Production increased at a CAGR of 6.44 percent to 282.79 million tones over FY 2007-2016. As per the 12th Five year Plan, Production is expected to reach 407million tones by FY2017.

II. Objectives of The Study

A. To measure, the short-term financial feasibility of the sample companies.
B. To identify the profitability status of the selected cement companies.

III. Review of Literature

Alovsat Muslumov (2005) concluded that the privatization was associated with a declining value added and shareholders’ profitability in Turkish cement industry. A decline in the value added and shareholders’ profitability were mainly caused by the decrease in return on assets. The decline in the return on asset was traced to declining asset productivity. These results are not consistent with previous cross-sectional privatization studies and a number of country studies.

S. Chandrakumarmangalam and P. Govindasamy (2010) investigate the relationship between the leverage (financial leverage, operating leverage and combined leverage) and the earning per share, and this study also explains the relationship between the Debt equity ratio and Earning per Share and how effectively the firm be able debt financing, the results suggest that the leverage and profitability and growth are related and the leverage is having impact on the profitability of the firm.

Chakraborty (2010) employed two performance measures, including ratio of profit before interest, tax and depreciation to total assets and ratio of cash flows to total assets and two leverage measures, including ratio of total borrowing to assets and ratio of liability and equity, and reported a negative relation between these ones.

Hajihassani (2012) presented A Comparison of Financial Performance in Cement Sector in Iran. This study presents comparison of financial performance for the period 2006–2009 by using financial ratios and measures of cement companies working in Iran. Financial ratios are divided into three main categories and measures including two indicators. This work concludes that the performance of cement companies on the basis of profitability ratio is different than on the basis of liquidity ratio, leverage financial.

Dr. Pratibha Jain & Prof. Megha Mehta (2013) In their Paper “Comparative Study of Profitability Analysis of Indian Aluminium Industries between Public and Private sector” the main objective of this research paper is to analyse the profitability position of the selected aluminium companies for 5 years(2008-2014). The study based on the secondary data,
the tools used for analysis in different Profitability ratio and regression analysis. The study ascertains that the Aluminium Industries in India shows satisfactory performance in concern with profitability.

Usman Dawood (2014) in his research paper on Factors influencing profitability of commercial banks believe that there no relationship between the cost efficiency and profitability but observe satisfaction and deposits do support in profitability where as size of the bank doesn’t help in profitability.

Dr.T.Srinivasan Dr.M.Thiru Narayanasamy (2015) in their study has found that better utilization of the resource can lead for enhances profitability of the organisation apart from customer satisfaction through quality service, cutting off expenses etc. clear that profitability.

Dr.M.Thyigarajan and Mr.J.Uday Kumar (2015) in their Paper” Profitability analysis of select aluminium companies in India” the main objective of this research paper is to analysis the profitability position of the selected aluminium companies for 10 years(2005-2014). The study based on the secondary data, the tools used for analysis are mean, standard deviation, co-efficient of variation and compound annual growth rate. The study ascertain that the National Aluminium Company Limited shows satisfactory performance in concern with profitability

IV. Profile of the Select Companies

A. Ultra tech Cement Limited

Ultra Tech Cement is the largest cement company in India and amongst the leading producers of cement globally. Ultra Tech is also the largest manufacturer of white cement and ready mix concrete (RMC) in India. As a responsible contributor towards sustainable development, Ultra Tech Cement balances the growing demand for cement and its environmental implications by developing and championing sustainable solutions. Ultra Tech Cement has 12 composite plants, one white cement plant, one wall care putty plant, one clinkerisation plant in the UAE, 16 grinding units (12 in India, two in the UAE and one each in Bahrain and Bangladesh) and six bulk terminals (five in India and one in Sri Lanka). Ultra Tech Cement is also India's largest exporter of cement and clinker reaching out to meet demand in countries around the Indian Ocean and the Middle East. The company's subsidiaries are Dakshin Cements Limited, Harish Cements Limited, Ultra Tech Cement Lanka (Pvt) Ltd and Ultra Tech Cement Middle East Investments Limited.

B. India Cement – Established in the year 1946, India Cement is Tamil Nadu’s oldest and largest cement manufacturing Company. In the year 1949, they started manufacturing Cement via their plant at Sankarnagar, which was capable of producing 1 lakh tons cement per year. Today, they have 7 state of the art manufacturing facilities located at Tamil Nadu, Andhra Pradesh and Rajasthan, and 2 Grinding units at Maharashtra and Tamil Nadu. They own three cement brands – Sankar Super Power, Cormonadal King and Rassi Gold. All these three brands rule the market in Southern India and have strong base in western region of country.

V. Sampling Method

The study is based on convenience sampling method

VI. Period of The Study

The period of this study covered ten years from 2007 to 2016

VII. Data Collection:

The data used in this study are secondary in nature, The Financial data of the companies belonging to the Cement companies are taken from the Money control.com.

VIII. Data Analysis:

The collected data have been analyzed by making use of Ratio analysis, Mean, standard deviation and Co-efficient of variation

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<th>QR</th>
<th>DR</th>
<th>OP</th>
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<td>10.11</td>
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<tr>
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<tr>
<td>2015</td>
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<td>0.43</td>
<td>0.35</td>
<td>18.29</td>
<td>13.34</td>
<td>8.78</td>
<td>9.45</td>
<td>18.47</td>
<td>9.45</td>
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<tr>
<td>2016</td>
<td>0.59</td>
<td>0.52</td>
<td>0.23</td>
<td>19.14</td>
<td>13.80</td>
<td>9.02</td>
<td>11.27</td>
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<tr>
<td>Mean</td>
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<td>10.97</td>
<td>10.05</td>
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<td>14.83</td>
<td>11.27</td>
<td>16.16</td>
<td>19.95</td>
<td>7.15</td>
<td>18.63</td>
<td>7.15</td>
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</tbody>
</table>
Source: Money control.com

Table 1
Ratio Analysis of India Cement Limited

<table>
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<tr>
<th>YEAR</th>
<th>CR</th>
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<th>DR</th>
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<td>2013</td>
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<td>1.46</td>
<td>0.75</td>
<td>17.90</td>
<td>11.77</td>
<td>3.55</td>
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<td>13.61</td>
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<td>2014</td>
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</tr>
<tr>
<td>2015</td>
<td>1.02</td>
<td>1.20</td>
<td>0.81</td>
<td>15.42</td>
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<td>0.66</td>
<td>8.24</td>
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<td>2016</td>
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<td>18.21</td>
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<td>3.26</td>
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<td>8.08</td>
</tr>
<tr>
<td>Mean</td>
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<td>1.17</td>
<td>0.73</td>
<td>16.87</td>
<td>11.01</td>
<td>2.15</td>
<td>8.99</td>
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<tr>
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<td>3.85</td>
<td>0.96</td>
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<td>182.88</td>
<td>10.73</td>
<td>31.95</td>
<td>10.73</td>
</tr>
</tbody>
</table>

Source: Money control.com

VIII. Findings:

From the above data analysis it has been found that, the two companies’ profitability ratio is satisfactory and the two companies’ short term liquidity position of Ultra tech cement company ltd is not satisfactory because current ratio and Quick ratio level is below one. India cement co ltd current ratio is below 2 and quick ratio is attained the level.

IX. Conclusion

The efficiency of a firm depends upon the working operations of the concern. Profit earning is considered essential for survival of the business. The Profitability ratios prove the efficiency of the select companies. The financial positions of the selected cement companies are satisfactory. But Ultra Tech Cement Company must improve their short term solvency position.

X. References

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