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A STUDY ON COMPARATIVE FINANCIAL PERFORMANCE OF THE SELECT CEMENT COMPANIES IN INDIA

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ABSTRACT Cement is a basic material, which is used in all types of construction activities, industrial construction, housing, dams, bridges etc. It facilitates the basic infrastructure facility for the development of the country. India is the second largest producer of cement in the world. It is a vital part of Indian economy, providing employment to more than a million people, directly or indirectly. 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. A significant factor which aids the growth of this sector is the ready availability of the raw materials for making cement, such as limestone and coal.

KEYWORDS : Infrastructure, Employment, Potential.

INTRODUCTION

In the last two decades, the Indian cement industry has developed gradually. With sound infrastructure development, the demand for cement is on an upward trend, further addition to capacity is coming up to cater to the increasing demand for cements. India is the second largest producer of cement in the world after China with a total capacity of 151.2 Million Tonnes (MT). Cement industry constitutes of 140 large and more than 365 mini cement plants. The cement industry plays a significant role in the economic development and it is considered as one of the core sectors of the economy. Cement is indispensable in building and construction works. The production and consumption of cement to a large extent, indicates the progress of a country. In a developing country like India, the need for a well-established cement industry is of paramount importance.

REVIEW OF LITERATURE

Siew *et al.* (2013)[1] in their study entitled **"**The relationship between sustainability practices and financial performance of construction companies" examines the state of non-financial reporting of publicly-listed construction companies on climate change, environmental management, environmental efficiency, health and safety, human capital, conduct, stakeholder engagement, governance and other matters deemed to be of concern to institutional investors. The paper finds that a majority of the publicly-listed construction companies studied have low levels of reporting, while construction companies issuing non-financial reports largely outperform those which do not in a number of selected financial ratios, although the correlation between financial performance and environmental, social and governance ESG scores is not strong.

Ajmal (2015)[2] in his study entitled "Evaluation of Financial Performance of Cement Corporation of India (CCI) Limited" reveals that the short-term solvency position of the company is not satisfactory during the study period. The solvency position of the company shows a negative trend due to negative reserve and surplus figures during the study period. Interest coverage ratio indicated that the company can meet interest expenses through its profit. From the analysis, it is cleared that the sales have not significant impact on net liquidity position, profitability and solvency position of Cement Corporation of India. The company earns satisfactory profit in first two years but it decreased in rest of the study period.

Devi and Sabarinathan (2015)[3] in their study entitled "A Study on Financial Performance of Cement Industries in Tamilnadu With Reference to Select Cement Companies" have concluded that the efficiency of a firm depends upon the working operations of the concern. Profit earning is considered essential for survival of the business. Both long term and short term solvency ratios prove the solvency position and efficiency of the select companies. The financial positions of the selected cement companies are satisfactory.

Venkatacham and Kasthuri (2016)[4] in their study entitled "A study on financial performance of cement industry in India" have concluded that the findings of the study are the current ratio, liquidity ratio, net profit ratio, debt equity ratio and interest coverage ratio having impact on profitability positions of the cement industry in India.

RESEARCH GAP

While going through the related literatures, it is observed that a comparative study of the leading cement companies is absent. Hence, the researcher has made an attempt to compare the financial performance of leading cement companies in India.

OBJECTIVES OF THE STUDY

The study was conducted to achieve the following objectives:

1. To ascertain the liquidity and profitability position of the select cement companies on the basis key ratios / parameters.
2. To evaluate the financial performance of the sample cement companies.

RESEARCH METHODOLOGY

The present study is mainly based on secondary data which were collected from published research reports by various industries and related websites. The present study is mainly intended to examine the comparative financial performance of UltraTech Cement Limited, Shree Cement Limited and Ambuja Cements Limited companies for the period of 5 years i.e. 2012 to 2016.

Limitation of the study

The study is restricted only to Indian based cement companies.

RESULT AND DISCUSSION

Table 1 Liquidity position

Year	Company Name					
	Ultratech Cement		Shree Cement		Ambuja Cement	
	CR	QR	CR	QR	CR	QR
2016	0.82	0.60	1.73	1.03	2.03	1.75
2015	0.90	0.59	1.61	0.98	1.90	1.62
2014	1.57	1.16	1.56	1.02	1.95	1.62
2013	1.25	0.88	1.60	1.23	1.75	1.43
2012	1.49	1.04	1.35	1.10	1.54	1.21
Average	1.21	0.85	1.30	1.07	1.83	1.53

Source: Secondary Data

Note: CR = Current Ratio   QR= Quick Ratio

Current ratio is the study of Current Assets and Current Liabilities. Table 1 reveals that all the three companies has an inadequate current assets which is less than the standard 2:1.

Quick ratio is the study of Liquid Assets and Current Liabilities. It also reveals that Ambuja Cements quick ratio is better than Shree Cements. It means that Ambuja Cements fund of liquidity assets is much more than the other two cement companies.

Table 2 Profitability position

Year	Company Name					
	Ultratech Cement		Shree Cement		Ambuja Cement	
	ATR	ROCE	ATR	ROCE	ATR	ROCE
2012	63.68	8.16	63.34	5.95	66.80	7.38
2013	65.13	7.62	80.69	6.50	71.78	13.91
2014	68.15	8.92%	80.33	13.50	70.65	12.79
2015	73.62	12.54	90.74	21.16	78.31	13.77
2016	79.81	13.31	98.75	15.70	74.11	14
Average	70	10	83	13	72	12

Source: Secondary Data

Note: ATR = Asset Turnover Ratio ROCE = Return on Capital Employed

Asset turnover ratio shows that how efficiently a company can use its assets to generate sales. Table 2 states that Shree cements assets turnover ratio is higher when compared to rest of the companies.

Return on capital employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed. The above table indicates that the return on capital employed of Shree cements is comparatively higher than Ultratech cements and Ambuja cements.

GROWTH RATE OF SELECT CEMENT COMPANIES

Table 3 Descriptive Statistics

Source: Secondary Data

Ratios	Company Name														
	Ultratech Cement					Shree Cement					Ambuja Cement				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
CR	0.82	0.9	1.57	1.25	1.49	1.73	1.61	1.56	1.6	1.35	2.03	1.9	1.95	1.75	1.54
QR	0.6	0.59	1.16	0.88	1.04	1.03	0.98	1.02	1.23	1.1	1.75	1.62	1.62	1.43	1.21
ATR	63.68	65.13	68.15	73.62	79.81	63.34	80.69	80.33	90.74	98.75	66.8	71.78	70.65	78.31	74.11
ROCE	8.16	7.62	8.92	12.54	13.31	5.95	6.5	13.5	21.16	15.7	7.38	13.91	12.79	13.77	14
Mean	18.32	18.56	19.95	22.07	23.91	18.01	22.45	24.10	28.68	29.23	19.49	22.30	21.75	23.82	22.72
SD	30.45	31.22	32.33	34.79	37.70	30.30	38.91	37.92	42.41	46.85	31.65	33.48	33.01	36.78	34.78
CV	166.24	168.19	162.06	157.61	157.64	168.20	173.35	157.35	147.85	160.31	162.37	150.11	151.75	154.45	153.10
CGR(%)	58.33	53.3	41.54	58.59	54.95	28.02	32.2	53.97	67.6	63.35	29.45	48.91	45.67	51.07	55.5

Note: SD = Standard Deviation; CV = Co-efficient of Variation; CGR = Compounded Growth Rate

Table 3 shows that the descriptive statistics of sample cement companies. The mean value of Ultratech cement company Ltd was the highest 23.91 in the year 2016 and the lowest 18.32 in the year 2012. The standard deviation of Ultratech cement Ltd. was the highest in the year 2016 and the lowest in the year 2012. The co-efficient of variation Ultratech cement Ltd. was the highest in the year 2013 and the lowest in the year 2015. The compound growth rate of Ultratech cement Ltd. was highest 58.59% in the year 2013 followed by 58.59% in the year 2015 and generally the growth rate was fluctuating during the study period.

The mean value of Shree Cement Ltd. was the highest 29.23 in the year 2016 and the lowest 18.01 in the year 2012. The standard deviation of Shree Cement Ltd. was the highest in the year 2016 and the lowest in the year 2012. The co-efficient of variation of Shree Cement Ltd. was the highest in the year 2013 and the lowest in the year 2015. The compound growth rate of Shree Cement Ltd. was the highest 67.6% in the year 2015 followed by 63.35% in the year 2016 and the lowest 28.02% in the year 2016. Hence, the growth rate of Shree Cement Ltd. was increased in all the years except in the year 2016.

The mean value of Ambuja Cement Ltd. was the highest 23.82 in the year 2015 and the lowest 19.49 in the year 2012. The standard deviation of Ambuja Cement Ltd was the highest in the year 2015 and the lowest in the year 2012. The Co-efficient of variation of Ambuja Cement Ltd was the highest in the year 2012 and the lowest in the year 2013. The compound growth rate of Ambuja Cement Limited was the highest 55.5% in the year 2016 and the lowest 29.45% in the year 2012. Therefore, the growth rate of Ambuja Cement Ltd. was increased for the first two years (2012 and 2013) then it came down in the year 2014 and again it showed an upward trend in the next two years (2015 and 2016).

CONCLUSION

Cement industry plays a significant role in the rapid growth and development of a country. From the study, the growth rate of select cement companies is floating but it plays a vital role for the economic development of the country. It plays a major role in global market. It also provides employment opportunities which increase the standard of living of the people that enhances capital formation of the country. The study concludes that the contribution of select cement companies towards financial growth and development of India will be expected to increase in forthcoming years.

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