



A STUDY ON LIQUIDITY AND SOLVENCY PERFORMANCE OF A SELECTED CEMENT COMPANIES

Pavithra K*

Research Scholar Part time Ph.D., Assistant professor, Sri Ramalinga Sowdambigai College of Science and Commerce, Coimbatore. *Corresponding Author

Dr. M. Nirmala

Professor and Head of the Department, Hindusthan College of Arts and Science, Coimbatore.

ABSTRACT In this paper study about the liquidity and solvency of financial performance of the selected cement companies in India with period of 2016-2020. In this study taken our cement companies like Heidelberg Cement India Limited, Everest Industries Limited, Mangalam Cement Limited and KCP Cement Limited. There are five variables are used in this study like Current Ratio, Quick Ratio, Debt to Equity Ratio, Long term debt equity ratio and Debtors turnover ratio. The tools used in this study is to mean, standard deviation, covariance and compound annual growth rate. After the analysis of this study the end of the result showing KCP Cement Limited (KCPC) and Everest Industries Limited (EVRC) have to concentrate in their CAGR and other two companies are good in their growth rate anyhow have to concentrate and improve their growth rate in their sectors.

KEYWORDS :

INTRODUCTION

Cement industry plays a major role in the infrastructure activities at the same time demand of the cement are to be increasing based on the cement varieties. In India many of the cement companies are focused on the government projects like dams, roadways, schools, colleges, free houses built etc., at the same time they are also involved to sell their products in private sectors like own house building, companies, private school, hospitals, other infrastructure activities. In this way the necessary of the demand are increasing all the fields. In company side liquidity and solvency is major thing to manage the investment of the company. Debt is needed one to run the company in short run or may be in long run based on the company level. Many of the companies are focused on the debt financial management.

OBJECTIVES

To analyze the growth of the selected cement companies in India.

Review Of Literatures

Ranjit Kumar Paswan (2013) in his study analyze the solvency position of selected FMCG companies in India. there are solvency variables are used in this study and tools like mean, standard deviation and covariance are used in this study work. after the analytical work the researcher find that the Debt to Total Assets ratio of Emami and Dabur shows that more assets of the company are financed through debt.

S. Santhosh Kumar and Bindu C (2018) in their studies on "Determinants of capital structure: An exclusive study of passenger car companies in India" had analyzed the capital structure of stake holders on equity and market value of a firm. The dependent variable is long term debt and independent variables are size of the firm, profitability, tangibility, growth in assets, non-debt tax shield, debt service capacity and dividend payout ratio. The F-statistics showed that the specified model with variables had more predictability power.

K.V. Eldhose and S. Santhosh Kumar (2019) in their studies on "determinants of financial leverage: an empirical analysis of manufacturing companies in India" had analyzed financial leverage of manufacturing companies. The data's taken 14 years and used descriptive statistics. The findings of this study are that profitability, liquidity, tangibility, growth, size and cost of borrowings are the significant factors of leverage of manufacturing companies in India. Ref: Eldhose V.K., Kumar Santhosh S. (2019). determinants of financial leverage: an empirical analysis of manufacturing companies in India. Indian Journal of financial, 41-49.

Profile of the Companies

In this study there are four companies are taken and the profile of the company are.,

Heidelberg Cement India Limited Heidelberg Cement India Limited is a subsidiary of Heidelberg Cement Group in Germany. The Company has its manufacturing sector in Central India at Damoh (Madhya Pradesh), Jhansi (Uttar Pradesh) and in Southern India at

Ammasandra (Karnataka). The Company increased its capacity to 5.4 million tons per annum through brown field expansion of its facilities in Central India in 2013.

Everest Industries Limited Everest is one of India's biggest and fastest growing complete building solutions providers. Incorporated in 1934, Everest has the manufacturing of building materials for roofing, cladding, ceiling, flooring and walls & Pre-Engineered Steel Buildings for industrial, commercial and residential sectors.

Mangalam Cement Limited Mangalam Cement Limited was incorporated in the year 1978 by the famed House of Syt B.K. Birla, the most eminent and illustrious industrialist of the country. It is a professionally managed and well-established cement manufacturing company enjoying the confidence of consumers because of its superior quality product and excellent customer service.

KCP Cement Limited At KCP the ground rules for business success were set 6 decades ago when they began operations. Indigenous, Modernize, never compromise on technology. Building on this edifice, this ISO 9001 accredited Engineering Division of KCP has executed several successful sugar machinery projects both in India and abroad.

Research Methodology

Period of the study

This study is focused on five years data from 2016 to 2020.

Data Collection

This data taken in this study are secondary in nature and data are collected from money control.

Data Analysis

In this study tools used to take are mean, standard deviation, covariance and Compound annual growth rate.

Variable used in this study

- Current ratio
- Quick Ratio
- Debt equity Ratio
- Long term debt equity Ratio
- Debtors turnover ratio

TABLE 1.1: CURRENT RATIO				
YEAR	HBC	EVRC	MGC	KCPC
2016	0.63	0.95	0.7	0.71
2017	0.61	0.97	0.64	0.6
2018	0.71	1.17	0.6	0.6
2019	0.83	1.23	0.66	0.46
2020	0.9	1.27	0.73	0.39
Mean	0.736	1.118	0.666	0.552
SD	0.12602	0.14873	0.05079	0.12677
CV	0.0127	0.0177	0.00206	0.01286
CAGR	0.07394	0.05978	0.00843	-0.1129

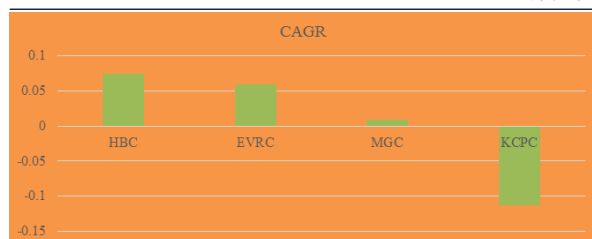


Chart 1.1 Current Ratio

The above table 1.1 showing the current ratio of four cement companies or five years data 2016-2020. it showing first the mean value is greater in Everest Industries Limited (EVRC) company with 1.118 and the lowest mean value is KCP Cement Limited (KCPC) with 0.552. the standard deviation highest in Everest Industries Limited (EVRC) company with 0.14873 and covariance highest in KCP Cement Limited (KCPC) with 0.01286. finally find out the compound annual growth rate (CAGR) that shows greater growth in Heidelberg Cement India Limited with 0.07394 and have negative covariance in KCP Cement Limited (KCPC) like -0.1129. Chart 1.1 showing the CAGR value for the four companies.

TABLE 1.2: QUICK RATIO				
YEAR	HBC	EVRC	MGC	KCPC
2016	0.49	0.85	0.65	0.51
2017	0.44	0.76	0.54	0.56
2018	0.58	0.57	0.56	0.44
2019	0.68	0.57	0.73	0.56
2020	0.78	0.48	0.81	0.49
Mean	0.594	0.646	0.658	0.512
SD	0.138492	0.153069	0.113886	0.050695
CV	0.015344	0.018744	0.010376	0.002056
CAGR	0.097437	-0.108	0.044995	-0.00797

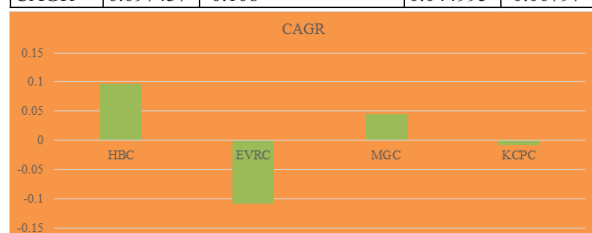


Chart 1.2: Quick Ratio

The above table 1.2 showing the quick ratio of four cement companies or five years data 2016-2020. it showing first the mean value is greater in Mangalam Cement Limited company with 0.658 and the lowest mean value is KCP Cement Limited (KCPC) with 0.512. the standard deviation highest in Everest Industries Limited (EVRC) company with 0.153069 and covariance highest in Everest Industries Limited (EVRC) with 0.018744. finally find out the compound annual growth rate (CAGR) that shows greater growth in Heidelberg Cement India Limited with 0.097437 and have negative covariance in KCP Cement Limited (KCPC) like -0.00797. Chart 1.2 showing the CAGR value for the four companies.

TABLE 1.3: DEBT TO EQUITY RATIO				
YEAR	HBC	EVRC	MGC	KCPC
2016	0.83	0.66	0.74	0.78
2017	0.59	0.51	0.59	0.75
2018	0.45	0.19	0.54	0.85
2019	0.33	0.18	0.81	1.14
2020	0.21	0.15	0.86	1.09
Mean	0.482	0.338	0.708	0.922
SD	0.24025	0.232099	0.138456	0.180748
CV	0.046176	0.043096	0.015336	0.026136
CAGR	-0.24032	-0.25645	0.030513	0.069218

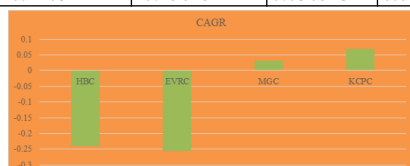


Chart 1.3: Debt To Equity Ratio

The above table 1.3 showing the debt equity ratio of four cement companies or five years data 2016-2020. it showing first the mean value is greater in KCP Cement Limited (KCPC) with 0.922 and the lowest mean value is Everest Industries Limited (EVRC) with 0.338. the standard deviation highest in Heidelberg Cement India Limited (HBC) with 0.24025 and covariance highest in Heidelberg Cement India Limited (HBC) with 0.046176. finally find out the compound annual growth rate (CAGR) that shows greater growth in KCP Cement Limited (KCPC) with 0.069218 and have negative covariance in Heidelberg Cement India Limited (HBC) like -0.24032 and Everest Industries Limited (EVRC) with -0.25645. Chart 1.3 showing the CAGR value for the four companies.

Table 1.4: Long Term Debt Equity Ratio				
YEAR	HBC	EVRC	MGC	KCPC
2016	0.75	0.34	0.59	0.66
2017	0.59	0.26	0.45	0.54
2018	0.45	0.13	0.37	0.72
2019	0.33	0.1	0.58	0.68
2020	0.21	0.1	0.6	0.58
Mean	0.466	0.186	0.518	0.636
SD	0.212321	0.108536	0.102811	0.074027
CV	0.036064	0.009424	0.008456	0.004384
CAGR	-0.22477	-0.2171	0.003367	-0.02551

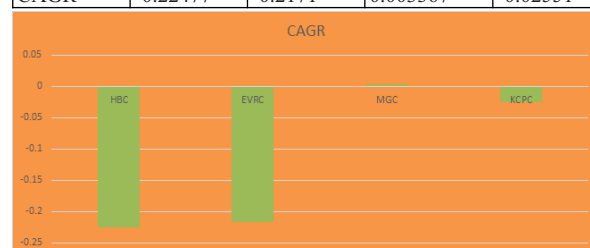


Chart 1.4: Long Tem Debt Equity Ratio

The above table 1.4 showing the long term debt equity ratio of four cement companies or five years data 2016-2020. it showing first the mean value is greater in KCP Cement Limited (KCPC) with 0.636 and the lowest mean value is Everest Industries Limited (EVRC) with 0.186. the standard deviation highest in Heidelberg Cement India Limited (HBC) with 0.212321 and covariance highest in Heidelberg Cement India Limited (HBC) with 0.036064. finally find out the compound annual growth rate (CAGR) that shows greater growth in Mangalam Cement Limited (MGC) with 0.003367 and have negative covariance in Heidelberg Cement India Limited (HBC) like -0.22477 and Everest Industries Limited (EVRC) with -0.2171. Chart 1.4 showing the CAGR value for the four companies.

Table 1.5: Debtors Turnover Ratio				
YEAR	HBC	EVRC	MGC	KCPC
2016	73.42	12.08	26.5	32.09
2017	89.64	10.6	30.27	26.27
2018	120.5	14.56	31.77	35.41
2019	96.71	17.09	33.45	41.43
2020	85.1	15.45	39.52	25.88
Mean	93.074	13.956	32.302	32.216
SD	17.51473	2.607725	4.78259	6.530986
CV	245.4125	5.440184	18.29854	34.12302
CAGR	0.029966	0.050443	0.083214	-0.0421

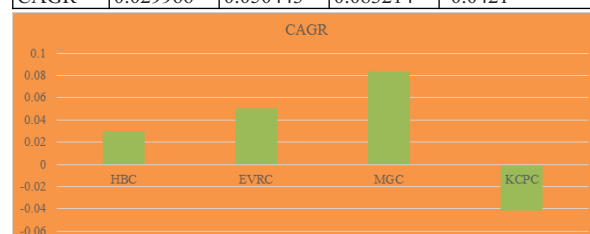


Chart 1.5: Debtors Turnover Ratio

The above table 1.5 showing the long term debtors turnover ratio of four cement companies or five years data 2016-2020. it showing first the mean value is greater in Heidelberg Cement India Limited (HBC) with 93.074 and the lowest mean value is Everest Industries Limited (EVRC) with 13.956. the standard deviation highest in Heidelberg

Cement India Limited (HBC) company with 17.51473 and covariance highest in Heidelberg Cement India Limited (HBC) with 245.4125. finally find out the compound annual growth rate (CAGR) that shows greater growth in Mangalam Cement Limited (MGC) with 0.083214 and have negative covariance in KCP Cement Limited (KCPC) with -0.0421. Chart 1.5 showing the CAGR value for the four companies.

Recommendations:

This study is focused on four cement companies in India are Heidelberg Cement India Limited, Everest Industries Limited, Mangalam Cement Limited and KCP Cement Limited. There are five variables are tables from liquidity and solvency ratios. The analysis taken in this paper is mean, standard deviation, covariance and compound annual growth rate, by measuring the result of the variables relations showing that the companies CAGR analysis in current ratio, quick ratio, long term debt equity ratio, debtors turnover ratio KCP Cement Limited (KCPC) showing negative value the company have to concentrate in their growth level, like that EVRC company also showing negative growth rate. So, both the companies have to concentrate in their investment level of the company. All other companies are good in their growth rate anyhow have to concentrate and improve their growth rate in their sectors.

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