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ORIGINAL RESEARCH PAPER

Management

COMPARATIVE PERFORMANCE ANALYSIS ON SELECTED CEMENT COMPANIES IN INDIA

KEY WORDS: Profitability, Cement Company

Dr. Raju Mondal*

Assistant Professor of Commerce, Fakir Chand College, Diamond Harbour, South 24 Parganas, West Bengal, India *Corresponding Author

ABSTRACT

Cement plays vital role in building economic development of any country. Indian cement industry is the largest cement producing country in the world, With the adoption of massive modernisation and assimilation of state-of-the-art technology, Indian cement plants are today the most energy-efficient and environment-friendly and are comparable to the best in the world in all respects, whether it is size of the kiln, technology, energy consumption or environment-friendliness. In our study our main object was to find our most profitable cement company from our sample companies, most profitable company is Ambuja Cements Ltd.

INTRODUCTION

The goal of any business is to make money and understanding your company's profitability is critical. While some businesses are able to operate at a loss for several years, every business needs to become profitable. A company's profitability is the extent to which its total income exceeds its total expenses for any given period. Profitability is an accounting concept that is sometimes referred to as net profit or net income.

Statement of the Problem

Both internal management and external users (such as analysts, creditors, and investors) of the financial statements need to evaluate a company's profitability. The most common methods used for financial statement analysis are trend analysis, common size statements, and ratio analysis. These methods include calculations and comparisons of the results to historical company data, competitors, or industry averages to determine the relative strength and performance of the company being analyzed.

Objectives of the study

The study was conducted to achieve the following objectives:

1. To understand the concept of financial analysis.
2. To ascertain profitability position of selected companies on the basis key ratios.
3. To compare the profitability of selected Cement companies.
4. To compare the profit earning of the selected cement companies from the year 2017-18 to 2021-22.

Review of Literature

Singh, K.P. (1981) has found out that the size of the unit has a significant role in the capital structure of the cement industry. His study has revealed that the returns and profitability can be increased by increasing the firm size from small too big.

Padmaja Manoharan (2002) through the analytical study on "Profitability of Cement Industry in India" has revealed the variation in profitability of Indian cement companies depending on age, size and region. The study identified that quality of earning depends on management and leveragemanagement. Further, the analysis concludes that the profitability and quality of earnings is influenced by the liquidity factor.

Santany Kumar Ghosh & *et al* (2003) in this paper, "Utilization of Current Asset and Operating Profitability and an Empirical Study on Cement in India". The study concluded that the degree of current asset in positive associated with the operating profitability of the firm.

Jayant Sathaye (2005) the study revealed that, the Indian cement industryhas 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 a 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.

Research Methodology

The present study is based on secondary data which has been collected through data source from **www. moneycontrol. com website**. We taken three largest cement companies name as UltraTech Cement Ltd, Jaiprakash Associates Ltd & Ambuja Cements Ltd out of forty-two cement companies in terms of total assets source money control, for determent of profitability of the companies we use four financial ratios name as PBDIT Margin, Net Profit Margin , Return on Capital Employed & Return on Assets.

Limitation of the study

- The sample size is limited as this study will focus on three cement companies.
- The time period under study is for the period of 5 years i.e., 2017-2018 to 2021-2022.

Data Analysis

We taken three largest cement companies name as UltraTech Cement Ltd, Jaiprakash Associates Ltd & Ambuja Cements Ltd out of forty-two cement companies in terms of total assets source money control. We use Statistical Tools-1.Mean 2.Standard Deviation 3.Coefficient of Variation.

SL NO	Company Name	Total Assets(Rs in Cores)
1	UltraTechCement Ltd.	80,661.73
2	Jaiprakash Associates Ltd.	40,753.46
3	Ambuja Cements Ltd.	28,173.44
Source-www.moneycontrol.com		

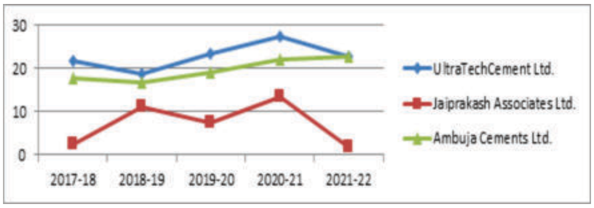
ANALYSIS AND DISCUSSION

PBDIT Margin

The margin at the level of profit before depreciation, interest and tax (PBDIT), a measure of operational strength, The PBDIT margin is a measure of a company's operating profit as a percentage of its revenue. Knowing the PBDIT margin allows for a comparison of one company's real performance to others in its industry.

PBDIT Margin (%)									
Serial No	Company Name/ Financial Year	2017-18	2018-19	2019-20	2020-21	2021-22	Mean	Standard Deviation	Coefficient of Variation

1	UltraTech Cement Ltd.	21.73	18.77	23.32	27.5	22.85	22.83	3.15	13.80
2	Jaiprakash Associates Ltd.	2.33	11.12	7.34	13.43	1.74	7.19	5.19	72.16
3	Ambuja Cements Ltd.	17.7	16.82	19.1	22.25	22.65	19.70	2.64	13.39
Source-www.moneycontrol.com									



Interpretation

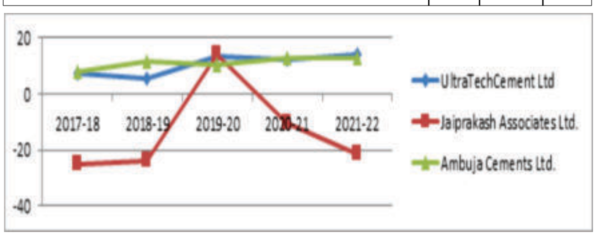
From the Above table and grape it is understood that PBDIT margin i.e operating profit of the Ultra Tech Cement Ltd is in the highest position compare to other two companies.

Net Profit Margin (%)

The net profit margin, or simply net margin, measures how much net income or profit is generated as a percentage of revenue. Net profit margin is one of the most important indicators of a company's financial health.

By tracking increases and decreases in its net profit margin, a company can assess whether current practices are working and forecast profits based on revenues.

Net Profit Margin (%)									
Serial No	Company Name/Financial Year	2017-18	2018-19	2019-20	2020-21	2021-22	Mean	Standard Deviation	Coefficient of Variation
1	UltraTech Cement Ltd	7.18	5.76	13.55	12.2	13.94	10.53	3.79	36.02
2	Jaiprakash Associates Ltd.	-25.21	-24.05	13.95	-10.41	-21.3	-13.40	16.37	-122.15
3	Ambuja Cements Ltd.	8.18	11.36	10.19	12.61	12.74	11.02	1.89	17.20
Source-www.moneycontrol.com									



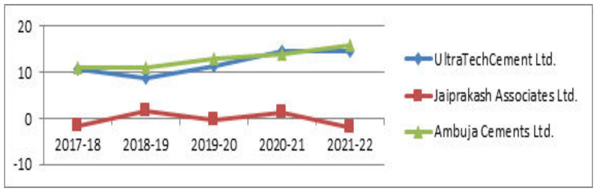
Interpretation

From the Above table and grape it is understood that Net profit margin i.e net profit position of the Ambuja Cement Ltd is in the highest position compare to other two companies.

Return on Capital Employed (%)

Return on Capital Employed (ROCE), a profitability ratio, measures how efficiently a company is using its capital to generate profits. The return on capital employed metric is considered one of the best profitability ratios and is commonly used by investors to determine whether a company is suitable to invest in or not.

Return on Capital Employed (%)									
Serial No	Company Name/ Financial Year	2017-18	2018-19	2019-20	2020-21	2021-22	Mean	Standard Deviation	Coefficient of Variation
1	UltraTech Cement Ltd.	10.7	8.78	11.45	14.63	14.61	12.03	2.55	21.22
2	Jaiprakash Associates Ltd.	-1.78	1.56	-0.36	1.26	-1.97	-0.26	1.65	-638.87
3	Ambuja Cements Ltd.	11.11	11.15	12.93	14.09	15.92	13.04	2.04	15.67
Source-www.moneycontrol.com									



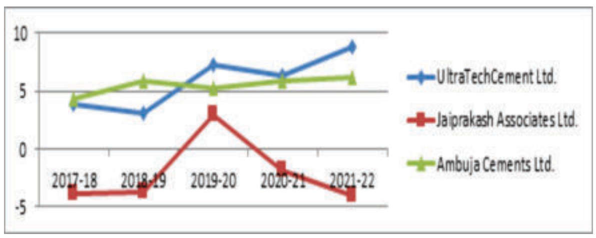
Interpretation

From the Above table and grape it is understood that Return on Capital Employed position of the Ambuja Cement Ltd is in the highest position compare to other two companies.

Return on Assets (%)

Return on assets (ROA) refers to *a financial ratio that indicates how profitable a company is in relation to its total assets*. The Return on Assets (ROA) ratio assesses how well a company can manage its assets to generate profits over time. Since the main objective of a company's assets is to generate revenue and profits, this ratio assists management and investors. It assists in determining how well the company can convert its asset investments into earnings. A higher return on assets (ROA) implies that a company is more effective and productive in managing its balance sheet to generate profits. While a lower ROA suggests that there is space for development. Owing to the same asset base, it is always advisable to compare the ROA of companies in the same industry.

Serial No	Company Name	2017-18	2018-19	2019-20	2020-21	2021-22	Mean	Standard Deviation	Coefficient of Variation
1	UltraTech Cement Ltd.	3.88	3.14	7.26	6.33	8.76	5.87	2.34	39.84
2	Jaiprakash Associates Ltd.	-3.9	-3.73	3.01	-1.81	-3.95	-2.08	2.98	-143.53
3	Ambuja Cements Ltd.	4.26	5.83	5.21	5.95	6.15	5.48	0.77	14.00
Source-www.moneycontrol.com									



Interpretation

From the Above table and grape it is understood that **Return on assets** position of the Ultra Tech Cement Ltd is in the highest position compare to other two companies.

Findings

- Operational performance among the three sample cement companies is in the highest position for the Ultra Tech Cement Company Ltd compare to other two sample cement companies.
- Highest Net profit margin achieve by the Ambuja Cement Ltd compare to other two sample cement companies.
- Most efficiently managing their capital for generating profit is the Ambuja Cement Ltd compare to other two sample cement companies.
- Efficiently utalise the total assets to generate profit by Ultra Tech Cement Company Ltd compare to other two sample cement companies.

CONCLUSION

In our study we observe that out of the three cement companies two companies are profitable companies name as Ultra Tech Cement Company Ltd & Ambuja Cement Ltd. Operational efficiency and utilization of Assets for making profit is in the better position for Ultra Tech Cement Company Ltd but net profit making in terms of revenue and use of capital for making profit is in the better position for Ambuja Cement Ltd. As printability volatility for four ratios are in the higher position for Ultra Tech Cement Company Ltd than the Ambuja Cement Ltd, so most profitable cement company is Ambuja Cement Ltd.

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