
Determinants of Financial performance: a Study on selected cement companies in India

Dr. M. Nirmala

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

Mail ID:nirmalamahendar@gmail.com

Pavithra K

Research Scholar (Part Time) Assistant Professor, Sri Ramalinga Sowdambigai College
of Science and Commerce,
Coimbatore,India.

Mail ID: pavihasinimba@gmail.com

Abstract

This research was conducted to investigate the determinants of the financial performance selected cement companies in India. The performance of selected cement companies measured based on financial ratios like operating profit margin, gross profit margin, net profit margin, cash profit margin, return on capital employed, return on net worth, return on assets including revaluations, return on long term funds, current ratio, quick ratio, cash ratio, debt equity ratio, proprietary ratio, long term debt equity ratio, interest cover ratio and fixed asset to net worth ratio. The data for this research were collected from money control taken ten years data from 2009-2010 to 2018-2019. The findings are to be measured in path way analysis and the result showing the comparative financial performance of the selected ratios with dependent ratio Net Profit Margin.

Key Words: Financial ratios, Cement, Net Profit Margin

Introduction

India is a developing country in all sectors to develop at an economical level and at the same time infrastructure sector is a major player in the Indian economy. From this sector is responsible for India's overall development and frame government policies that would be the creation of good infrastructure in the country. Infrastructure includes buildings, power, bridges, roads, dams, rural and urban number of infrastructural development. Infrastructure is the first key role of demand in the production of cement. Cement manufacturing in India is largely needed one in public and private sectors. It is a needed one to complete the infrastructure work.

The cement sector takes a major place in forwarding and backward connection with a national economy. The cement industry account for 8% of the global fixing capacity, it plays a major role

in both infrastructure and socio-economic development in Indian cement industry is the fourth largest contributor to the exchequer and second-largest revenue contribution to the Indian railways. In Indian railways nearly US \$ 1.29 billion (INR 9000 crore) per annum contribute to the countryⁱ.

Objectives of this study

1. To know about the financial performance of the selected cement companies in India.
2. To measure financial ratios from Profitability, Liquidity and Solvency analysis of the selected companies.

Research Methodology

In this study used secondary data in nature and the data's are taken from money control and the period of the study is 2009-2010 to 2018-2019 ten years data are taken in this research. The ten companies are to be selected from Bombay stock exchange and National stock exchange with the Net sales from Cr.2000. the companies are

Name of the Company
UltraTech Cement (UTCL)
The Associated Cement Companies Limited (ACC)
Shree Cements Limited (SCL)
Ambuja Cements Limited (ACL)
Jaiprakash Associates cement limited (JAL)
India Cements limited (ICL)
Ramco Cements limited (RCL)
J. K. Cement Limited (JK)
JK Lakshmi Cement Limited (JKLC)
Orient Cement limited (OCL)

UltraTech Cement

India's is the biggest Mumbai cement manufacturing market. The chairman of Ultra Tech Cement Limited is Mr. Kumar Mangalam Birla. It is a major manufacturer of cement and has a potential of more than 100 million tonnes. It is India's major manufacturer of grey cement, white cement and ready-mix concrete.

The Associated Cement Companies Limited (ACC)

ACC Limited is a major cement production firm. It has 17 cement manufacturing units, 90 ready-mix concrete plants, more than 6600 staff, 5000 distributors and distributors, and distribution offices throughout the world.

Shree Cements limited

In 1979, Shree cement was started and its headquarters are in Kolkata, India. Shree Cement Ltd is one of the best producers of cement and its cement plants are distributed across six states that have opened their plants across North and East India.

Ambuja Cements

One of the leading cement firms in India is Ambuja Cements Ltd. Ambuja Cement distributes hassle-free, home-building solutions. Ambuja Cement currently has a cement capacity of 29.65 million tonnes, and five integrated cement processing plants and eight cement grinding units have also been set up nationwide.

Jaiprakash Associates cement

In India, Jaiprakash Associates Ltd is a comparable industrial classified infrastructure provider. This company produces hydropower schemes in the field of engineering and construction.

India Cements

One of the cement manufacturing firms in India is India Cements Limited. The business is led by the former chairman of the International Cricket Council, N. Srinivasan, and was established in 1946 by S. N. N. SankaralingaIyer.

Ramco Cements

Ramco Cements Limited is a subsidiary of the Ramco Group, a Chennai, and India-based business group. The business manages wind turbines and special goods such as ready-mix concrete and dry mortar products.

J. K. Cement

J.K. Cement Limited is a holding company headquartered in India. JK Cement Ltd, a leading cement producer in the world, is a subsidiary of the JK Organization, a multi-disciplinary manufacturing conglomerate founded by LalaKamlapatSinghania.

JK Lakshmi Cement

A founder of the esteemed JK Company, a community recognized worldwide for its more than a century of business heritage, JK Lakshmi Cement Limited belongs to the JK Organization, which is over 132 years old.

Orient Cement

Orient Cement, founded in 1979, was formerly part of Orient Paper & Industries. In the year 2012, it was demerged and has since emerged as one of India's fastest-growing and leading cement producers.

COMPANY	UTCL	ACC	SCL	ACL	JAL	ICL	RCL	JK	JKLC	OCL
	P value	P value	P value	P value	P value	P value	P value	P value	P value	P value
Operating Profit Margin(%)	.001	.000	.103	.017	.000	.002	.001	.001	.000	.001
Gross Profit Margin(%)	.000	.000	.024	.003	.000	.003	.000	.000	.000	.000
Return On Capital Employed(%)	.000	.001	.037	.019	.000	.008	.000	.001	.000	.078
Return On Net Worth(%)	.000	.000	.031	.001	.000	.000	.006	.000	.000	.000
Cash Profit Margin(%)	.000	.000	.012	.009	.000	.000	.000	.000	.000	.000
Return on Assets Including Revaluations	.005	.025	.941	.067	.333	.999	.415	.984	.023	.177
Return on Long Term Funds(%)	.000	.001	.036	.019	.000	.011	.000	.001	.000	.075
Current Ratio	.417	.359	.610	.047	.726	.307	.780	.704	.001	.574
Quick Ratio	.069	.350	.431	.024	.944	.432	.511	.500	.001	.188
Cash ratio	.846	.901	.743	.230	.124	.059	.127	.895	.383	.204
Debt Equity Ratio	.073	.006	.941	.655	.306	.368	.404	.057	.173	.165
Proprietary Ratio	.057	.001	.753	.047	.202	.216	.103	.096	.141	.180
Interest Cover	.001	.005	.016	.020	.002	.001	.250	.000	.000	.001
Fixed assets to net worth Ratio	.311	.221	.127	.010	.009	.249	.019	.153	.015	.004
Long Term Debt Equity Ratio	.238	.114	.895	.655	.420	.256	.464	.056	.381	.227

Review of the Literature

1. Dr. Mohmad Mushtaq Khan, Dr. K. Bhavana Raj (2020) in their research on empirical and descriptive based telecom companies to calculate the company's liquidity and profitability. The Altman Z-Score model was used in this research and points out that in 11 years of data there is a substantial effect of liquidity and profitability. They indicated that the company would strengthen its role in liquidity and profitability.

2. Godfred Oppong Kesse, Mohd. Irfan & J.K. Pattanayak (2019) conducted a study on intellectual resources and the financial efficiency of services for tourism and hospitality. The data were taken from the compression of 720 companies over 12 years. The effect of this research is a positive coefficient of relationships and company efficiency.

3. Rakhi Singh & Vijay Agrawal (2019) had analyzed this paper the objective is to evaluate 20 financial ratios of selected PSUs that have experienced disinvestments, such as profitability, operating performance, leverage and liquidity, and 37 listed PSUs belonging to the manufacturing and service sectors. The outcome of this paper is a quantitative study of 16 years of data and different financial ratios and found that PSUs will succeed in this competitive environment.

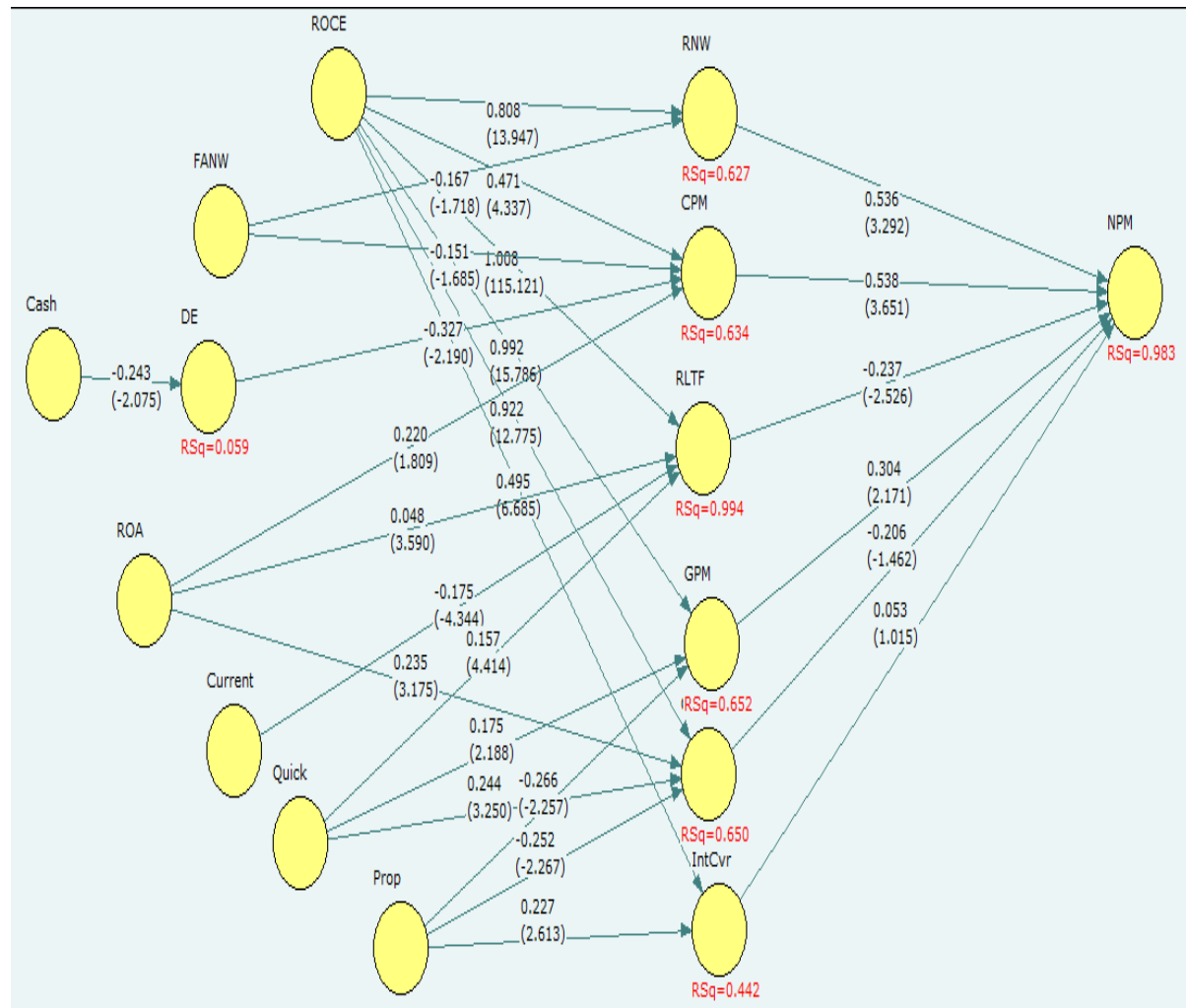
4.Dr. A. Muthusamy,S. Karthika (2019) to evaluate the liquidity and profitability of two selected cement firms, their paper on the convenience sampling method was treated. Statistical instruments such as the descriptive and correlation approach used and the five-year data outcome measure suggest that the profitability position in the two companies is fulfilled, but the liquidity position in the two companies is not fulfilled.

5.Rubab Fatema Nomani and Alok Sen (2019) stated that profitability analysis and data were obtained from field surveys of 115 micro-manufacturing companies in Assam. This study uses cost, volume, and benefits analysis and profitability ratios to interpret this research. The outcome of this research was that micro-enterprises worked at a healthy margin and had a very poor profit margin.

Analysis and Interpretation

Correlation of selected Cement companies with financial ratios

VALIDATION OF RESEARCH MODEL



In Validation Research model using main indicator as Net Profit Margin (NPM) to measure the level of other profitability, liquidity and solvency ratios t-test to know the significant and non

significant level of the overall financial ratios and ratios show RSq(R-Square) its compare the significant level of Net Profit Margin.

Correlation of Latent Variables															
	OPM	Current	GPM	NPM	ROCE	RNW	CPM	ROA	RLTF	FANW	Prop	DE	Cash	Quick	IntCvr
OPM	1.000														
Current	0.105	1.000													
GPM	0.924	-0.034	1.000												
NPM	0.734	-0.182	0.804	1.000											
ROCE	0.727	-0.153	0.762	0.667	1.000										
RNW	0.755	-0.187	0.840	0.966	0.774	1.000									
CPM	0.757	-0.156	0.740	0.953	0.693	0.918	1.000								
ROA	0.320	0.211	0.075	0.257	0.206	0.223	0.434	1.000							
RLTF	0.744	-0.184	0.772	0.680	0.993	0.785	0.710	0.222	1.000						
FANW	0.178	-0.008	0.137	-0.015	0.198	-0.007	0.048	0.090	0.197	1.000					
Prop	0.387	-0.122	0.335	0.546	0.650	0.530	0.656	0.434	0.656	0.245	1.000				
DE	-0.415	0.148	-0.382	-0.577	-0.632	-0.534	-0.672	-0.400	-0.635	-0.263	0.881	1.000			
Cash	0.254	0.075	0.283	0.342	0.397	0.379	0.326	0.161	0.366	0.247	0.315	0.243	1.000		
Quick	0.447	-0.034	0.463	0.397	0.642	0.410	0.413	0.089	0.617	0.212	0.549	0.533	0.533	1.000	
IntCvr	-0.533	-0.533	-0.533	-0.533	-0.533	-0.533	-0.533	-0.533	-0.533	-0.533	-0.533	-0.533	-0.533	-0.533	1.000

Structural Model--BootStrap				
	Entire Sample estimate	Mean of Subsamples	Standard error	T-Statistic
RNW->NPM	0.5360	0.5044	0.1628	3.2924
CPM->NPM	0.5380	0.5659	0.1474	3.6507
RLTF->NPM	-0.2370	-0.2429	0.0938	-2.5263
GPM->NPM	0.3040	0.3571	0.1400	2.1710
OPM->NPM	-0.2060	-0.2556	0.1409	-1.4623

IntCvr->NPM	0.0530	0.0695	0.0522	1.0150
ROCE->RNW	0.8080	0.8266	0.0579	13.9466
ROCE->CPM	0.4710	0.4903	0.1086	4.3370
ROCE->RLTF	1.0080	1.0091	0.0088	115.1214
ROCE->GPM	0.9920	0.9900	0.0628	15.7864
ROCE->OPM	0.9220	0.9082	0.0722	12.7751
ROCE->IntCvr	0.4950	0.5084	0.0740	6.6852
FANW->RNW	-0.1670	-0.1598	0.0972	-1.7175
FANW->CPM	-0.1510	-0.1327	0.0896	-1.6853
Cash->DE	-0.2430	-0.2441	0.1171	-2.0745
DE->CPM	-0.3270	-0.2798	0.1493	-2.1900
ROA->CPM	0.2200	0.2560	0.1216	1.8093
ROA->RLTF	0.0480	0.0502	0.0134	3.5898
ROA->OPM	0.2350	0.2464	0.0740	3.1747
Current->RLTF	-0.1750	-0.1806	0.0403	-4.3436
Quick->RLTF	0.1570	0.1616	0.0356	4.4138
Quick->GPM	0.1750	0.1819	0.0800	2.1884
Quick->OPM	0.2440	0.2484	0.0751	3.2499
Prop->GPM	-0.2660	-0.2862	0.1179	-2.2567
Prop->OPM	-0.2520	-0.2585	0.1112	-2.2665
Prop->IntCvr	0.2270	0.2673	0.0869	2.6135

The above table showing the significant level of the financial ratios of selected ten companies in India. The table measures the mean value of the comparative ratios, errors of the ratios and the significant level of the t-test values. Some of the ratios showing negative values and others are in the positive significant values.

Limitation of the Study

In this study the researcher find the limitation are only 10 years of data's from 2009-2010 to 2018-2019 are taken in this study. There are many ratios available for measuring growth, profitability, liquidity, and solvency, it may be difficult to use all the ratios, therefore the study uses a selected few ratios to assess the growth, profitability, liquidity, and solvency. The study is restricted only to those companies which are listed on the Bombay stock exchange (BSE) and National stock exchange (NSE).

Conclusion

Cement sector playing major role in infrastructural activities and in this study makes to find out the ten company's financial performance in profitability, liquidity and solvency measurement. Some comparative ratios showing the negative relationship and the companies have to concentrate in those particular ratios. This study helps the financial investors, cement companies to know and take decision for future process in their concern.

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