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A Study On Financial Performance Of Cement Companies In India With Reference to Ultratech Cement Limited and OCL India Limited - A Comparative Analysis

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Abstract: India is the second largest producer of cement in the world. Cement production increased at a compound annual growth rate (CAGR) of 9.7 per cent in the period 2006– 2013, producing 272 million tonnes (MT). In this study the author, select two companies. UltraTech Cement is the largest cement company in India and amongst the leading producers of cement globally. In the early fifties OCL has installed four numbers of Ball mills of FL Smidth for cement grinding purpose. For the result Comparative analysis both the companies must improve their short term solvency position.

Key words: Cement, UltraTech Cement, OCL, Ratio Analysis

I. INTRODUCTION

India is the second largest producer of cement in the world. Cement production increased at a compound annual growth rate (CAGR) of 9.7 per cent in the period 2006– 2013, producing 272 million tonnes (MT). In the period 2015-16 estimated to producing 289 million tones(MT). The production capacity is projected to reach 550 MT by FY 2020. The cement industry has been expanding on the back of increasing infrastructure activities and demand from the housing sector. The Department of Industrial Policy and Promotion (DIPP), report says that cement and gypsum products attracted foreign direct investment (FDI) worth Rs 13,370.32 crore (US\$ 2.24 billion) between April 2000 and February 2014. The housing segment accounts for a major portion of the total domestic demand for cement in India. In the 12th Five Year Plan of the Government, there is a strong focus on infrastructure development and the Government plans to increase investment in infrastructure to an amount of US\$ 1 trillion. The industry is expected to add a capacity of 150 MT during the Plan period.

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. Chandrakumar Mangalam 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.

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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.

IV. PROFILE OF THE SELECT COMPANIES

A. Ultratech Cement Limited

UltraTech Cement is the largest cement company in India and amongst the leading producers of cement globally. UltraTech is also the largest manufacturer of white cement and ready mix concrete (RMC) in India. As a responsible contributor towards sustainable development, UltraTech Cement balances the growing demand for cement and its environmental implications by developing and championing sustainable solutions. UltraTech 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). UltraTech 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, UltraTech Cement Lanka (Pvt) Ltd and UltraTech Cement Middle East Investments Limited.

B. OCL India Ltd

Sjt. Jaidayalji Dalmia, an industrialist of farsighted vision set up a cement plant at Rajgangpur during 1950 - 51 at the request of government of Odisha to manufacture super grade cement for use in the construction of Hirakud dam. In the early fifties OCL has installed four numbers of Ball mills of FL Smidth for cement grinding purpose. Later on, to keep pace with the technological advancement and facilitating manufacture of blended cement, three giant Vertical Roller Mills with combined and separate grinding systems were installed during the period of 1997 to 2005. The target centric investments in R&D and application specific product development have both enabled OCL to enlarge and include in its product range various grades of Ordinary Portland Cement(OPC) like 43 and 53 grades; 53S Grade cement for use in the manufacture of railway sleepers; Portland Slag Cement (PSC); Fly Ash based Portland Pozzolana Cement (PPC), Sulphate Resisting Portland Cement (SRPC); Masonry Cement.

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 2005-06 to 2014-15 .

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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Table 1

RATIO ANALYSIS OF ULTRATECH CEMENT LIMITED

	CR	QR	DR	OP	GP	NP	INVTR	DTR	INTR
2005-06	0.67	0.34	1.4	17.02	14.9	6.91	8.75	19.16	21.2
2006-07	0.71	0.4	0.9	29	28.07	15.75	11.46	27.58	34.61
2007-08	0.58	0.38	0.65	31.33	27.03	17.99	31.16	27.55	31.16
2008-09	0.59	0.34	0.59	27.29	22.24	15.3	22.89	31.71	22.89
2009-10	0.67	0.3	0.35	28.08	22.56	15.52	22.65	35.04	22.65
2010-11	0.58	0.33	0.25	20.02	14.27	10.54	7.65	32.54	7.65
2011-12	0.86	0.57	0.3	22.64	17.71	13.35	10.11	26.77	10.11
2012-13	0.66	0.43	0.29	23.16	18.48	13.15	9.73	22.63	9.73
2013-14	0.76	0.52	0.28	18.82	13.63	10.57	9.71	17.65	9.71
2014-15	0.59	0.43	0.35	18.29	13.34	8.78	9.45	18.47	9.45
Mean	0.67	0.40	0.54	23.57	19.22	12.79	14.36	25.91	17.92
Stdv	0.09	0.09	0.37	5.06	5.49	3.51	8.12	6.21	9.91
Covar	13.67	21.43	68.90	21.49	28.57	27.42	56.58	23.97	55.33

Table 2

RATIO ANALYSIS OF OCL INDIA LIMITED

	CR	QR	DR	OP	GP	NP	INVTR	DTR	INTR
2005-06	0.82	1.35	1.89	14.28	12.87	6.16	5.19	6.77	9.43
2006-07	0.83	1.29	1.17	19.84	17.53	9.38	5.81	9.38	9.92
2007-08	0.83	0.92	0.9	26.1	22.66	14.9	9.83	8.65	9.83
2008-09	0.81	0.91	1.08	24.43	19.36	10.25	12.44	10.71	12.44
2009-10	1.27	1.22	1.04	28.33	19.99	11.78	12.55	12.46	12.55
2010-11	1.26	1.18	0.84	21.15	12.88	7.7	6.63	12.58	6.63
2011-12	0.95	0.74	0.68	14.1	5.42	2.16	6.39	11.66	6.39
2012-13	0.075	0.76	0.65	22.92	15.3	8.6	5.88	12.29	5.88
2013-14	0.86	0.62	0.56	15.68	8.87	5.27	6.65	9.24	6.65
2014-15	0.73	0.51	1.02	15.49	9.22	5.13	6.9	10.4	6.9
Mean	0.84	0.95	0.98	20.23	14.41	8.13	7.83	10.41	8.66
Stdv	0.33	0.30	0.38	5.19	5.55	3.69	2.75	1.91	2.52
Covar	38.97	31.12	38.37	25.63	38.53	45.33	35.16	18.35	29.08

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 is not satisfactory because current ratio and Quick ratio level is below one and two companies are promptly maintained their inventory, investment and Debtors.

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 both the companies must improve their short term solvency position.

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LIST OF ABBREVIATION

CR	-	CURRENT RATIO
QR	-	QUICK RATIO
DR	-	DEBIT EQUITY RATIO
OP	-	OPERATING PROFIT RATIO
GP	-	GROSS PROFIT RATIO
NP	-	NET PROFIT RATIO
INVTR	-	INVENTORY TURNOVER RATIO
DTR	-	DEBTOR TURNOVER RATIO
INTR	-	INVESTMENT TURNOVER RATIO
STDV	-	STANDARD DIVIATION
COVAR-		COEFFICIENT OF VARIATION



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