

Profitability analysis of select cement companies in India

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Abstract

The Indian cement industry is the second largest in the world after China. It is playing vital role to providing employment, infrastructure and housing sector. The production capacity is projected to reach 550-600 Million Tonnes Per Annum (MTPA) by financial year 2025. The research paper mainly focuses on analysis of profitability of selected cement companies in India during the period of 2007 to 2016, the tools used for analysis are mean, standard deviation, co-efficient of variation, the study found that the profitability position of Ultra-Tech Cements is Satisfactory when compare to other companies.

Keywords: mean, FDI, CAGR

Introduction

India's cement industry is playing an important role of its economy, providing employment to more than a million people, directly or indirectly. The construction industry in India relies heavily on the cement industry for natural reasons Indian as well as foreign Companies have invested billions in the Indian cement Industry after regulations were lifted off in 1982.

During the next four to five years, the Indian Cement market is projected to witness a Compound Annual Growth Rate (CAGR) of around 8.96 Percent. Approximately, 67% of the cement consumption can be attributed to the housing Sector in India, 13% to the Infrastructure Sector, 11% to the Commercial construction segment and 9% Industrial Construction

The Government of Tamilnadu has launched low priced cement branded "Ammu" cement. The sale of cement started at Tiruchi at Rs 190(US\$2.84) a bag through the Tamilnadu Civil Supplies Corporation (TNCSC). Sales commenced in five godowns of the TNCSC and will be rolled out in stages with the low priced cement available across the state from 470 outlets.

Cement Production increased at a CAGR of 6.44 percent to 282.79 million tones over FY 2007-2016. As per the 12th Five year Plan, Production is expected to reach 407million tonnes by FY2017.

Objectives of the Study

1. To examine the growth of selected cement companies in India.
2. To assess the profitability position of Selected cement Companies in India

Review of Literature

Dr. Pratibha Jain & Prof, Megha Mehta (2013) ^[1] In their Paper "Comparative Study of Profitability Analysis of Indian Aluminium Industries between Public and Private sector" the main objective of this research paper is to analyse the profitability position of the selected aluminium companies for 5 years(2008-2014). The study based on the secondary data,

the tools used for analysis in different Profitability ratio and regression analysis. The study ascertain that the Aluminium Industries in India shows Satisfactory performance in concern with profitability.

Usman Dawood (2014) ^[2] in his research paper on Factors influencing profitability of commercial banks believe that there no relationship between the cost efficiency and profitability but observes satisfaction and deposits do support in profitability whereas size of the bank doesn't help in profitability.

Dr. T. Srinivasan Dr. M. Thiru Narayanasamy (2015) in their study has found that better utilization of the resource can lead for enhance profitability of the organization apart from customer satisfaction through quality service, cutting off expenses etc. clear that profitability.

Dr. M. Thygarajan and Mr. J. Uday Kumar (2015) ^[5] in their Paper "Profitability analysis of select aluminum companies in India" the main objective of this research paper is to analyses the profitability position of the selected aluminum companies for 10 years (2005-2014). The study based on the secondary data, the tools used for analysis are mean, standard deviation, co-efficient of variation and compound annual growth rate. The study ascertain that the National Aluminum Company Limited shows satisfactory performance in concern with profitability.

Methodology

Sample Design

The Present study has drawn a sample of five companies whose securities should be listed in Indian Stock exchange for the period of 10 years 2007 to 2016.

Source of Data

The Financial data for the study are drawn purely from the secondary data and money control.com and annual reports of the companies.

Tools of Data Analysis

The study used for the descriptive analysis of Mean, Standard Deviation, Co-efficient of Variation and Compound Annual

growth rate.

Table 1: Analysis of operating profit Ratio from the year 2007 to 2016

Year	India Cement	Ramco Cement	Ultra-Tech Cement	J.K.Cement
2007	32.90	31.3	28.94	24.61
2008	35.63	14.5	30.89	29.26
2009	27.18	27.6	26.73	19.43
2010	20.17	19.9	27.77	21.48
2011	12.04	16.4	19.53	13.19
2012	21.49	29.52	22.64	20.28
2013	17.90	26.25	23.16	19.23
2014	11.37	15.28	18.82	13.40
2015	15.42	19.56	18.29	13.59
2016	18.21	29.45	19.14	14.57
Mean	21.23	22.98	23.59	18.90
S.D	8.27	6.51	4.68	5.36
CV	38.96	28.34	19.85	28.36
CAGR	-0.06	-0.0067	-0.044	-0.056

Source: money control.com

The above table No.01 reveals operating profit Ratio of selected cement companies, the Mean operating Profit ratio of Ultra- Tech cement is having highest ratio of 23.59 and lowest mean of 18.90 followed by JK cements, the compound annual growth rate of operating profit ratio was negative during 2007 to 2016.

Table 2: Analysis of Net Profit Ratio from the year 2007 to 2016

Year	India Cement	Ramco Cement	Ultra-Tech Cement	J.K.Cement
2007	25.99	20.13	15.62	13.20
2008	20.71	21.21	17.67	17.89
2009	11.90	14.86	14.68	8.42
2010	9.19	13.26	15.06	10.83
2011	1.78	8.50	9.80	2.94
2012	6.96	11.76	13.35	6.96
2013	3.55	10.53	13.15	8.02
2014	-3.65	3.73	10.57	3.47
2015	0.66	6.64	8.78	4.68
2016	3.26	15.52	9.02	2.85
Mean	8.03	12.61	12.77	7.926
S.D	9.27	5.58	3.07	4.91
CV	115.37	44.28	24.08	62.05
CAGR	-0.20	-0.028	-0.059	-0.156

Source: money control.com

The above Table No.02 shows the Mean net profit ratio of selected cement companies are fluctuating trend during the study period Ultra- Tech cement is having highest ratio of 12.77 and JK cement has the lowest Mean of 7.926. India cement incurring netloss in 2014 and attain the profit 2015 and CV is high during the 10 years

Table 3: Analysis of Return on Network Ratio from the year 2007 to 2016

Year	India Cement	Ramco Cement	Ultra-Tech Cement	J.K. Cement
2007	45.14	58.14	44.39	34.77
2008	25.83	50.40	37.38	25.22
2009	14.80	32.84	27.09	15.75
2010	10.23	25.10	23.71	20.73
2011	1.89	12.81	12.84	5.48
2012	8.18	19.26	19.02	13.75
2013	4.47	17.04	17.43	15.88
2014	-4.64	5.54	12.54	6.28
2015	0.89	9.16	10.68	9.53
2016	4.06	18.05	10.48	5.92
Mean	11.08	24.83	21.55	15.33
S.D	14.64	17.41	11.68	9.48
CV	132.07	70.098	54.20	61.84
CAGR	-0.23	-0.12	-0.148	-0.178

Source: money control.com

The above Table No.03 shows the Return of network of selected cement companies are fluctuating trend during the study period Ramco cement is having highest ratio of 24.83 and India cement has the lowest Mean of 11.08. CV of selected cement companies are India cement is having highest ratio of 132.07. followed by Ramco cement.70.09

Findings and Suggestions

- In Operating profit ratio of Selected cement companies the Mean operating Profit ratio of Ultra- Tech cement is having highest ratio of 23.59 and lowest mean of 18.90 followed by JK cements
- the Return of network of selected cement companies are fluctuating trend during the study period Ramco cement is having highest ratio of 24.83 and India cement has the lowest Mean of 11.08.

- India Cement has the registered highest co-efficient of variation (132.07%) in network followed by Ramco Cements (70.09%), and it is least (54.20%) in Ultra Tech Cements.
- India cement incurring netloss in 2014 and attain the profit 2015 and CV is high during the 10 years.
- Cement Companies should concentrate on new strategies to increase the production.
- It will significantly increase the growth rate of profitability.

Conclusion

After analyzing the profitability of different cement companies during the study period it is found that Ultra-Tech cements the Profitability position as show satisfactory when compare to

other companies. Hence the Cement companies should concentrate on new strategies and modern techniques of production to increase growth rate of profitability.

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