

PERFORMANCE ANALYSIS OF CEMENT INDUSTRY: (WITH SPECIAL REFERENCE TO SELECTED CEMENT MANUFACTURING UNITS)

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ABSTRACT

The cement industry plays a pivotal role across the world as its products are vital to the development industry and makes a significant contribution to the nation's gross domestic product. The cement demand during a country is mostly driven by the expansion in per capita income. An industry which is that the major and oldest indigenous manufacturing product well-endowed with all the essential raw materials, skilled manpower, machinery, technology and know-how in the modern sector of India economy is cement industry. It's a capital-intensive, energy-intensive and transport-intensive industry. As the basic and consumer industry, its product is in need of the event of modern civilization. The consumption of cement is an indicator of the country's prosperity, development and constructive activities. Its significance as nation building industry in acceleration of economy doesn't need any emphasis. Indian Cement Industry, today, is the best among the countries in the world with regard to the employment of latest technology, large capacity projects, fuel and power consumption, environmental-friendly, etc. Since its inception in 1914, the cement industry in India cement has undergone an amazing change in technological and environmental fronts. Housing sector has emerged because the biggest consumer of cement industry. This is often empirically evidence by innumerable ways getting used to the graceful gardens and flickering fountains from massive dams and towering sky scrapers. As such, it's a major contributor to the revenue exchequer of both the Central Government and also the regime. The market demand for cement is in boom. But, the cement industry is facing problems of assorted sort of capacity utilization, finance, production and marketing which all at once play a significant role in fortune of the cement industry. India stands second in cement production in the world but far behind in consumption of cement. This nature of problems varies from region to region and also from one kind of product to a different and from period to period. For all these would wish to search out the remedial measures.

KEYWORDS: Production, Efficiency, Development, Infrastructure, Consumption, Capacity, Economy.

Introduction

Cement industry is one amongst the foremost vital basic industries after petroleum industry and industry in the economy particularly so for an emerging economy like India where infrastructure and housing activity are happening at a brisk pace. It a vital construction material with virtually no substitute, and is employed worldwide for all construction works. It's a heavily taxed commodity and also the duties

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amount to around 30 per cent of the damage of cement. Truly speaking per capita consumption of cement could be a truer indicator of a nation's progress. India, today, ranks second in the world among cement producing countries but per capita of cement consumption is merely 156 kilograms compared to the globe average of around 350 kilograms. This substantial evidence obviously discerns the low consumption but certainly indicates that there's an increase of giant potential in Indian cement consumption. The summary of review of literature on cement industry given below discloses that an honest deal of analytical study covering the aspects of productivity, location, finance, size and financial efficiency, etc. on scientific approach but are inadequate and fewer penetrating and not successful in reducing the prevailing maladies of the cement industry as data employed in them pertained to period before eighties. It's quite likely that this problem and constraints are quite different from those with which the cement industry was experienced. Analysis has not statistically integrated and hence lacks exactness and clarity. The cement industry concentration and competition, location and dispersal, optimum inter-regional distribution, etc. have to study in the light Government Policy. Further, it's desirable to grasp about the working results of cement industry both in terms of physical performance and financial performance which might certainly disclose the economies of operation of producing cement.

Objectives of Study

The primary objective of this study is to gauge the operational performance of the cement industry with specialises in the chosen cement enterprises in province. Specifically, the objectives of present study are:

- To look at the cement industry performance.
- To diagnosis the operational performance of selected cement plants.
- To research financial and price efficiency analysis of selected cement plants.
- To suggest remedial measures to boost better working of cement industry

Review of Literature

Wang Y.J (2002) "On Liquidity Management, Operating Performance and company Value: Evidence from Japan and Taiwan" stressed that the way the assets is managed had a substantial impact on the profitability of firms and increase in profitability by reducing number of day's assets and decreasing inventories. A shorter cash conversion cycle and net fluctuation in keeping with him were associated with better performance of the firms. Moreover efficient assets management in line with him was vital to form value for the shareholders.

Ghosh S.K and Maji S.G (2004) in their research paper, on "Working Capital Management Efficiency A study on the Indian Cement Industry" made a shot to live growth and profitability during 1992-1993 to 2001-2002. For measuring the efficiency of assets Management performance, utilization and overall efficiency indices were computed rather than using some common assets Management ratios. Results of the study indicated that the Indian cement industry as an entire failed to perform rather well during this era.

Syed Tahir hijazi and Yasir Bin Tariq in their analytical study on "Determinants of Capital Structure: A Case Study For The Pakistani Cement Industry", had studied the performance of the firms in the cement sector by using pooled regression model and had identified the determinants of capital structure of the firms in the cement industry. That they had found an inverse relationship between size of the firms and their growth. Firm's size in line with them was negatively correlated with leverage suggesting that the larger the firm size lesser the debt they'd use. They contradicted the static trade off theory which emphasized a positive relationship between firm size and leverage.

Sanjay J Bhayani (2010) in the article on "Determinants of Probability in Indian Cement Industry: An Economic Analysis", had taken into consideration the scale of the organisations, liquidity management, growth of organisations, components of cost and rate for measuring the profitability and assessing the efficiency of the organisations. They had used backward multivariate analysis on the variables of the study. They'd concluded that the liquidity, age of the firm, operating profit ratio, rate of interest and rate had played a big role in the determination of the profitability of the Indian cement industry.

Jayanta Nath Mukhopadhyaya, Malabika Roy and Ajitava Raychaudhri (2012) in their research work on "An Analytical Study of the Changing Structure in the Cement Industry of India" had thrown light on how the method of deregulation had impacted on the structure of the Indian cement

industry. Deregulation in keeping with them intensified the competition which successively encouraged the consolidation. They opined that the consolidation, entry of multinationals and changing marketplace for cement paved the way for better performance of cement industry.

Dr. Sachin mittal, Nishant joshi and Kapil shrimali (2012) had made a case study analysis through their article on "Empirics on assets Management: A Case of Indian Cement Industry", and had concluded that the quantum of capital, ratio of capital to total assets and correlation among profit, sales and current assets were the deciding factors of liquidity and profitability. They discovered that the Indian cement industry invariably straggled hard to take care of a judicious level of capital which successively affected adversely its growth and profitability.

Efficiency Analysis

In any manufacturing concern, management could be a drive for attaining its defined goals. In other words, the management of cement industry plays a key role from the stage of vision, mission statement and framing all the relevant governing guidelines to the stage of achieving the results of operations physically viable and commercially feasible leading to ratio which is the outcome of the conduct of business. The carefulness in addition as ceaseless efforts with the strategic approach for long-term objective is so essential in manufacturing cement; that there's no substitute. The efficiency or otherwise of the management of cement industry is assessed in terms of its specific objectives which being spell-out in terms of efficient provider of services through its structure and healthy organization with the system of strive and magnificence. Right policy formulation on the one hand and its implementation for reaping maximum economic gains on the opposite through die essence of manageriability is so cardinal to buttress the management. This is often so niche in cement industry in the context of competitive environment nationally and globally. Appraisal of the financial structure of cement industry discloses its capability to come up with funds needed for undertaking the specified expansion. Thus, the 'efficiency criterion' is the efforts of management effectiveness which provides a synoptic view reflecting the profit and profitability which is the end-result of cement industry. For evaluating efficiency of the cement manufacturing entities, we've evaluated some ratios like net Ratio's, Current Ratio, Debtors Turnover Ratio and Debt Equity Ratio.

Scope of the Study

The magnitude of the issues and possibility for solving such problems vary from company to company as they're not identical in geographical locations, size of investment, capacity creation, and utilization of capacity created or availing of internal and external economies of scale accruing to them. The study is therefore confined to the particular problems of growth, especially the financial problems which affect the expansion and profitability of the industry. It's also focused to suggest ways and means to induce obviate the financial problems confronted by the businesses. The study has theoretical and practical significance. It helps the academicians and researchers to evolve new ideas and techniques for further research. The study focuses on the expansion and profitability of cement industry, which can interest not only those that are venturing to manufacture cement or related products but also others to grasp the processes of changes that occur in the industry. This study are useful to the management to require executive and investment decisions, to anticipate future trends, to spot the areas of strengths and weaknesses and to require appropriate steps for the maximization of its intrinsic value. The study might also be useful to the govt. to re-align its fiscal measures, to the creditors and financial institutions to assess the credit worthiness of the businesses particularly and therefore the industry as an entire and to formulate their overall credit policies. The study will act as a guide to investors in their investment decisions and maximization of their wealth.

Research Methodology

The present study is confined to the working of the cement industry in Indian Union. empirical nature of this study throws light on the aspects of working of the cement industrial units at macro-level and micro-level include installed capacity, capacity utilization, number of enormous and mini cement plants, public and private sector, regional imbalance of cement plants, finance and value efficiency analysis. For focus of the study on in-depth and diligent on the working of cement units, selected cement plants. The Data covered in the study is eleven years from 2016-17 to 2020-21 especially for the chosen cement plants. The amount is sufficient to note any effect and impact of the environment including the government policy matters which have implemented through the Fiver Year Plans in

the country. This certainly reflect in working of the cement industry with pros and cons, if any, towards the attainment of desirable goal achieving 'optimum' as cement could be a multi-dimensional think about the economy.

Source of Data

In the study, the secondary were used; that a survey method was adopted. The secondary data per the select enterprises were collected by their annual reports/administrative reports, published literature - Cement Statistics published by Cement Manufacturers Association, Periodicals and Journals, internet sites of cement companies, Research and Survey Reports. To judge the performance of the cement enterprises in terms of efficiency analysis, the tools of trend and ratio are studied to appraise, interpret and review the effectiveness of the working cement enterprises.

Results and Analysis

Table 1: Table Showing Current Ratio of Selected Companies

	2016-17	2017-18	2018-19	2019-20	2020-21
UltraTech	1.55:1	0.96:1	0.97:1	0.52:1	0.60:1
ACC	1.16:1	1.14:1	1.58:1	1.99:1	1.91:1
Ambuja	1.34:1	1.55:1	1.54:1	1.15:1	1.31:1
JK Cement	1.18:1	1.34:1	1.34:1	0.90:1	1.06:1
Shree Cement	1.65:1	1.92:1	2.01:1	1.96:1	1.71:1

Source: Annual Reports of companies

Chart 1: Graphical Presentation of Current Ratio of Selected Companies

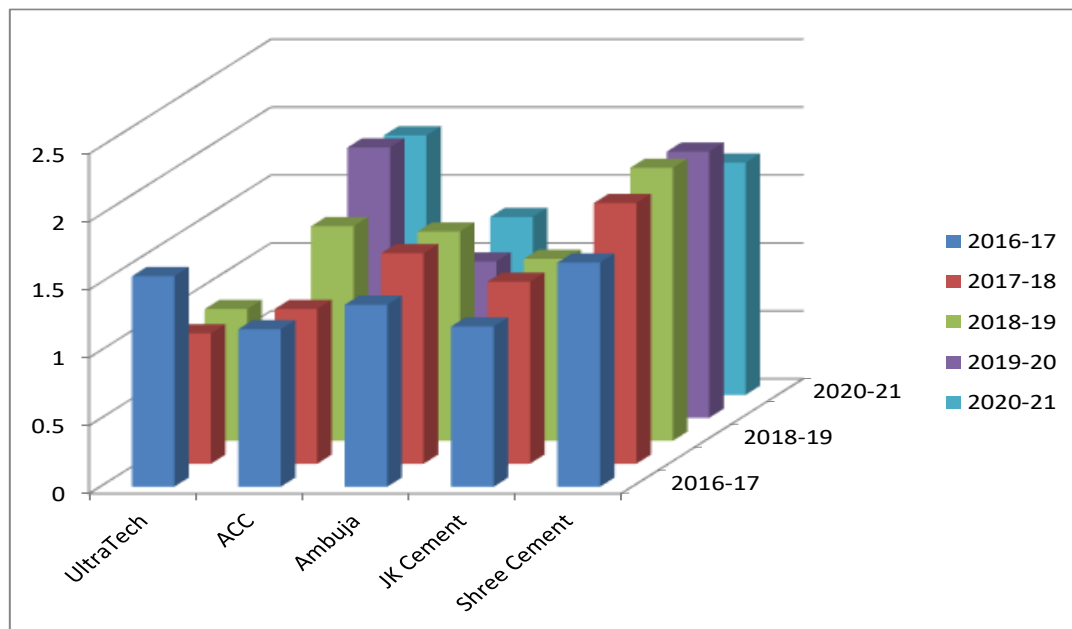
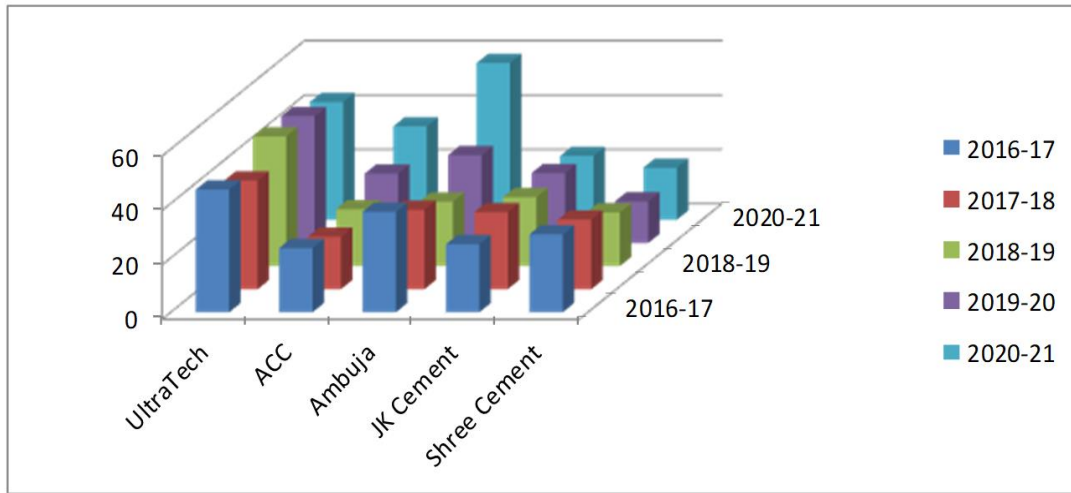


Table 2: Table Showing Debtors Turnover Ratio of Selected Companies (Values are Showing "in number of times")

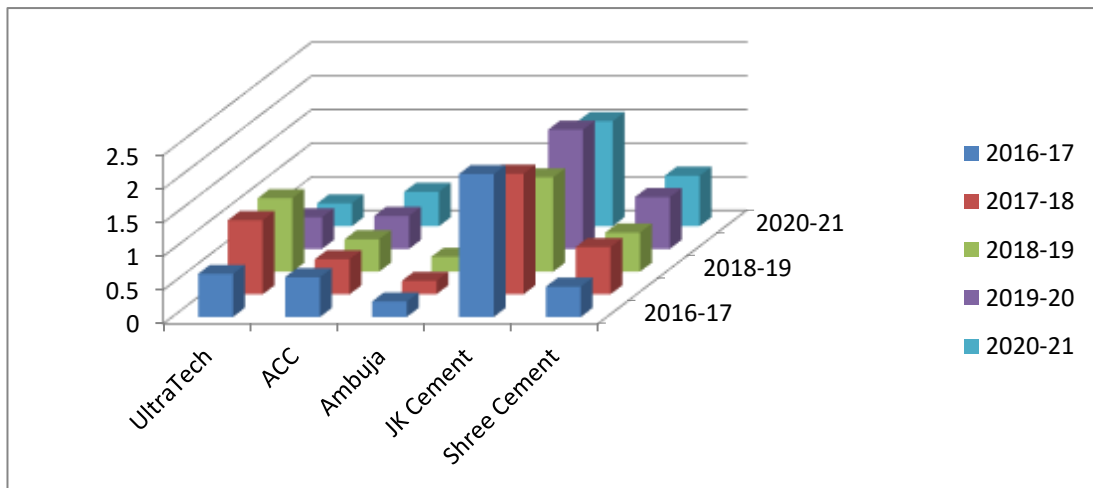
	2016-17	2017-18	2018-19	2019-20	2020-21
UltraTech	45.11	39.94	47.71	46.61	43.31
ACC	23.58	19.27	20.92	25.53	34.34
Ambuja	36.92	29.19	23.73	32.27	57.63
JK Cement	25.02	28.31	25.31	25.67	23.46
Shree Cement	28.62	25.58	19.67	15.25	19.16

Source: Annual Reports of companies

Chart 2: Graphical Presentation of Debtors Turnover Ratios**Table 3: Table Showing Debt/Equity Ratio of Selected Companies**

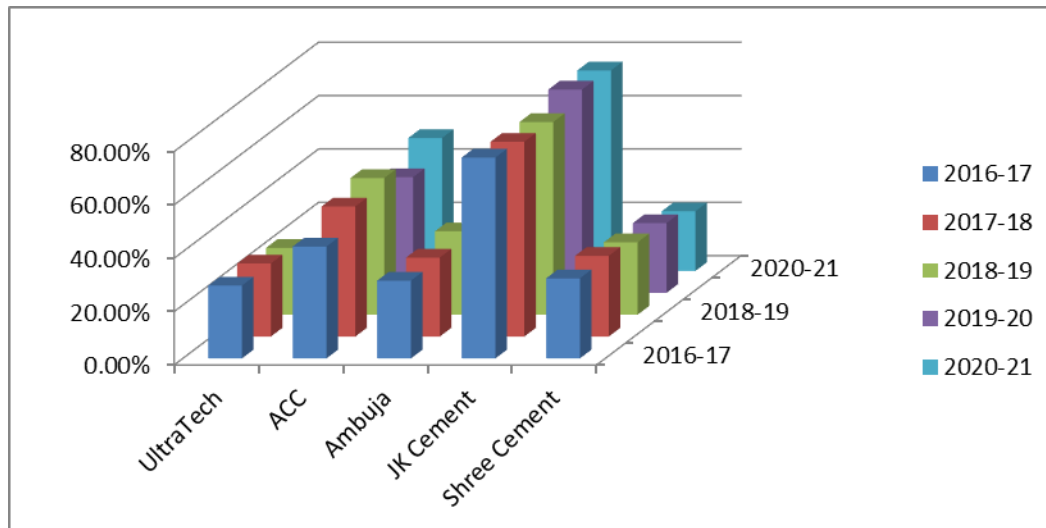
	2016-17	2017-18	2018-19	2019-20	2020-21
UltraTech	0.64:1	1.10:1	1.09:1	0.47:1	0.34:1
ACC	0.59:1	0.52:1	0.48:1	0.49:1	0.51:1
Ambuja	0.23:1	0.20:1	0.22:1	0.19:1	0.23:1
JK Cement	2.12:1	1.79:1	1.40:1	1.77:1	1.56:1
Shree Cement	0.45:1	0.70:1	0.58:1	0.77:1	0.75:1

Source: Annual Reports of companies

Chart 3: Graphical Presentation of Current Ratios**Table 4: Table Showing Gross Profit Ratio of Selected Companies**

	2016-17	2017-18	2018-19	2019-20	2020-21
UltraTech	27.29%	27.37%	25.03%	19.24%	23.28%
ACC	41.91%	48.74%	51.20%	43.33%	49.81%
Ambuja	29.14%	29.58%	31.24%	33.26%	31.18%
JK Cement	75.25%	72.99%	72.18%	76.17%	75.13%
Shree Cement	29.98%	30.23%	27.12%	26.11%	22.36%

Source: Annual Reports of the companies

Chart 4: Graphical Presentation of Gross Profit Ratios

Conclusion

The cement industry has been played a key role as its production of cement is important to the constructions of various forms and kinds. The merchandise of cement is core input in many economic activities and virtually no substitute for it. As a basic and consumer industry, the cement is, thus, crucial in development of modern economy. This is often empirically evidence by innumerable ways of being employed to the graceful gardens, flickering fountains, fine-looking residences, massive dams and towering sky scrapers. Cement as multi-dimension activity, the cement industry contributes to the gross domestic product of nation, drives up in per capita income, generates employment opportunities both in direct and indirect ways and earns interchange. Cement industry which is the major and oldest indigenous manufacturing product is endowed with essential raw materials, skilled manpower, machinery, technology and know-how in the modern sector of India economy. On considering, the essence and strategic role of cement industry; the government has been strengthening the event of it through the policy decisions likewise as sizeable budgetary allocations. Profitability analysis of the chosen cement plants is examined through the gross profits ratio which relate to profit to the investment made in the sort of capital employed and assets made respectively. Right policy formulation on the one hand and its implementation for reaping maximum economic gains on the opposite are essence of the managerial ability for achieving the cardinal to buttress the management. The Current ratio, Debtor's turnover Ratio and inventory turnover ratio aren't fulfilled the quality which means unsatisfactory short-term solvency which caused to satisfy the commitment with delay. The debtors' turnover ratio of sample cement plants is more with wider fluctuations involving neither sales nor debtors uneven which disclose the actual fact that no sound credit policy. The management should change the trend of negative assets position by bringing more current assets and to hold that much of business in conformity. Hence the general position of selected cement companies is although quite good but not impressive and lots of efforts is require to be made during this regard.

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