



PROFITABILITY ANALYSIS OF SELECTED CEMENT COMPANIES IN INDIA

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Abstract:

Cement industry is a largest industry in world economy and Indian cement industries place second largest in the world. It is playing vital role to providing employment, infrastructure and housing sector, it attracted FDI worth US\$ 3,084.89 million during the year 2000 to 2014. The production capacity is projected to reach 550MT by financial year 2020. The research paper mainly focuses on analyses of profitability of selected cement companies in India during period of 2005 to 2014, the tools used for analysis are mean, standard deviation, co-efficient of variation and compound annual growth rate, the study found that the profitability position of Ambuja cements is satisfactory when compare to other companies.

Key words: 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. Ever since it was deregulated in 1982, the Indian cement industry has attracted huge investments, from both Indian and foreign investors, making it the second largest in the world. The industry is currently in a turnaround phase, trying to achieve global standards in production, safety, and energy-efficiency.

The cement market in India is expected to grow at a compound annual growth rate (CAGR) of 8.96 percent during the period 2014-2019. In India, the housing sector is the biggest demand driver of cement, accounting for about 67 per cent of the total consumption. The other major consumers of cement include infrastructure at 13 per cent, commercial construction at 11 per cent and industrial construction at nine per cent. To meet the rise in demand, cement companies are expected to add 56 million tonnes (MT) capacity over the next three years. The cement capacity in India may register a growth of eight per cent by next year end to 395 MT from the current level of 366 MT. It may increase further to 421 MT by the end of 2017. The country's per capita consumption stands at around 190 kg. According to data released by the Department of Industrial Policy and Promotion (DIPP), cement and gypsum products attracted foreign direct investment (FDI) worth US\$ 3,084.89 million between April 2000 and December 2014. The production capacity is projected to reach 550 MT by FY 2020

Objectives of the Study:

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

Review of Literature:

Dr. M. Thyigarajan and Mr J. Uday Kumar (2015) in their paper "Profitability analysis of select aluminium companies in India" the main objective of this research paper is to analyse the profitability position of the selected aluminium 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.

The study ascertains the National Aluminium Company Limited shows satisfactory performance in concern with profitability.

Dr. Shishir Pandey and Vikas Kumar Jaiswall (2014) 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 analysis the profitability position of the selected Aluminium companies for 5 year (2008-2014).the study based on the secondary data the tools used for the analysis is different profitability ratio and regression analysis, the study found that Aluminium industries in India shows Satisfactory performance in concern with profitability.

Dr Pratibha Jain & Prof. Megha Mehta (2013) In their study on financial performance of automobile companies finds that Hero Honda company performed well because of its usage of latest technology and Tata motors weak performance due to increased manufacturing overheads and company's inability to face competition.

Dr. Nabi Rasool et al. (2013) in their study identified that Net profit; EPS & Return on total assets are the responsible factors which will have significant influence on ROE of the companies

Even that some authors **Abdul Raheman and Mohamed Nasr (2007)** are of the opinion that the working capital management is significantly affects the profitability of the business concerns.

In some cases even the in efficiency of the management (**Dr. Monica Tulsian (2014)**) can held responsible for the lower profitability of the company.

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

Usman Dawood (2014) in his research paper on Factors influencing profitability of commercial banks believe that there no relationship between the cost efficiency and profitability but observes that capital adequacy and deposits do support in profitability where as size of the bank doesn't help in 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 2005 to 2014.

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, coefficient of variance and compound annual growth rate.

Data Analysis:

Table No. 01 Analysis of Operating Profit Ratio from the year 2005 to 2014

Year	Ultra Tech Cement	ACC	Ambuja Cement	India Cement	JK Cement
2005	13.94	18.55	26.94	12.09	
2006	17.13	29.42	33.99	16.99	14.16
2007	28.94	28.23	35.47	32.90	24.61
2008	30.89	22.44	28.79	35.63	29.26
2009	26.73	30.10	27.05	27.18	19.43
2010	27.77	19.81	24.55	20.17	21.48
2011	19.53	18.76	23.07	12.04	13.19
2012	21.80	19.33	25.25	20.34	20.17
2013	22.69	14.59	17.87	18.14	19.13
2014	18.63	12.89	19.28	11.63	12.61
Mean	22.81	21.41	26.23	20.71	19.34
SD	5.61	6.04	5.63	8.60	5.49
CV	406.66	354.45	465.81	240.79	352.00
CAGR	2.94	-3.57	-3.29	-0.39	-1.28

Source: money control.com

The above table No. 01 reveals operating profit ratio of selected cement companies, the Mean operating profit ratio of Ambuja cements is having highest ratio of 26.23 and lowest mean of 19.34 followed by JK cements, the compound annual growth rate of operating profit ratio was only positive in the case of Ultra Tech cements and remaining companies was negative during 2005 to 2014

Table No. 02 Analysis of Net Profit Ratio of from the year 2005 to 2014

Year	Ultra Tech Cement	ACC	Ambuja Cement	India Cement	JK Cement
2005	-1.96	15.22	14.64	0.27	
2006	6.60	21.02	25.88	2.67	3.44
2007	15.62	20.13	31.33	25.99	13.20
2008	17.67	14.04	21.82	20.71	17.89
2009	14.68	18.16	16.76	11.90	8.42
2010	15.06	12.82	16.83	9.19	10.83
2011	9.80	12.79	14.12	1.78	2.94
2012	12.28	9.11	12.74	5.83	6.73
2013	12.38	9.61	13.34	3.62	7.79
2014	10.03	9.68	14.26	-4.76	2.71
Mean	11.22	14.26	18.17	7.72	8.22
SD	5.66	4.34	6.21	9.51	5.11
CV	198.05	328.36	292.78	81.15	160.89
CAGR	4.76	-4.42	-0.26	32.89	-2.62

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 Ambuja cements ha the highest Mean of 18.17 and India cements has the lowest Mean of 7.72 the compound annual growth rate

of Net profit ratio was positive in the case of India cements and Ultra tech cements and the rest of the companies it is Negative during the study period.

Table No. 03 Analysis of Return on Net worth Ratio from 2005 to 2014

Year	Ultra Tech Cement	ACC	Ambuja Cement	India Cement	JK Cement
2005	-5.48	23.95	20.85	2.52	
2006	21.61	39.18	42.78	6.60	9.20
2007	44.39	34.30	38.04	45.14	34.77
2008	37.38	22.79	24.52	25.83	25.22
2009	27.09	26.64	18.82	14.80	15.75
2010	23.71	17.15	17.24	10.23	20.73
2011	12.84	18.63	15.22	1.89	5.48
2012	18.73	14.36	14.69	7.84	13.61
2013	17.58	14.01	13.51	5.28	15.77
2014	12.83	14.13	14.76	-7.34	5.03
Mean	21.07	22.51	22.04	11.28	16.17
SD	13.79	8.75	10.29	14.73	9.63
CV	152.78	257.36	214.17	76.57	167.88
CAGR	-5.63	-5.14	-3.40	7.22	-6.49

Source: money control.com

The above table No 3 reveals the return on net worth of selected cement companies in India, the Mean return on net worth is fluctuating trend during the study period ACC cements has the highest mean of 22.51 and India cements has the lowest mean of 11.28 . The compound annual growth rate of return on net worth is positive in case of India cements and rest of the companies shown negative during year 2005-2014

Conclusion:

After analysing the profitability of different cement companies during the study period from a different angle it is found that Ambuja cements the profitability position as show satisfactory when compare to other companies. The compound annual growth rate as shown satisfactory in India cements while compare to other companies hence all the cement companies should concentrate on modern techniques of production and different marketing strategies to increase the positive growth rate and profitability.

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