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## PROFITABILITY ANALYSIS OF SELECT CEMENT INDUSTRIES IN INDIA

Mrs.T.Manjula,

Part Time Ph.D., Research Scholar,

PG and Research Department of Commerce, Government Arts College, Udumalpet, Tirupur, Tamilnadu, India

Dr.N.Maliqjan

Research Supervisor, Associate Professor,

**Abstract:** The Indian cement industry is the second biggest in the world after China. It is playing vibrant 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 2023. The research paper mainly focuses on analysis of profitability of selected cement companies in India during the period of 2012 to 2021, the tools used for analysis are mean, standard deviation, co-efficient of variation, the study found that the profitability position of (ULTRA TECH, RAMCO, SHREE, JK LAXMI, and PRISM).

**Keywords:** Indian Cement Industry, Financial performance, Profitability analysis, Profitability Ratio, Co-efficient of Variation and Compound Annual Growth rate.

### 1.1 INTRODUCTION

India's cement industry is playing an vital 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 "Amma" cement. The sale of cement strated 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.

### 1.2 OBJECTIVES OF THE STUDY

1. To observe the progress of selected cement companies in India.
2. To measure the profitability position of Selected cement Companies in India

### 1.3 REVIEW OF LITERATURE

Dr. Pratibha Jain & Prof, Megha Mehta (2013) <sup>[1]</sup> 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 examine the profitability position of the selected aluminium companies for 5 years(2008-2014). The study based on the secondary data, the tools used for anaysis in different Profitability ratio and regression analysis. The studies determine that the Aluminium Industries in India shows Satisfactory performance in concern with profitability.

Usman Dawood (2014) <sup>[2]</sup> 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. Thyagarajan and Mr. J. Uday Kumar (2015) <sup>[5]</sup> 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 anaysis 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.

## 2.1 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 2012 to 2021.

## 2.2 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

## 2.3 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 2012 to 2021

| Year | Ultra-Tech Cement | Ramco Cement | Shree   | JK Lakshmi | Prism |
|------|-------------------|--------------|---------|------------|-------|
| 2012 | 28.94             | 31.3         | 19.23   | 24.61      | 32.90 |
| 2013 | 30.89             | 14.5         | 20.03   | 29.26      | 35.63 |
| 2014 | 26.73             | 27.6         | 30.04   | 19.43      | 27.18 |
| 2015 | 27.77             | 19.9         | 27.04   | 21.48      | 20.17 |
| 2016 | 19.53             | 16.4         | 22.90   | 13.19      | 12.04 |
| 2017 | 22.64             | 29.52        | 7.51    | 20.28      | 21.49 |
| 2018 | 23.16             | 26.25        | 26.22   | 19.23      | 17.90 |
| 2019 | 18.82             | 15.28        | 13.34   | 13.40      | 11.37 |
| 2020 | 18.29             | 19.56        | 29.22   | 13.59      | 15.42 |
| 2021 | 19.14             | 29.45        | 25.44   | 14.57      | 18.21 |
| Mean | 23.59             | 22.98        | 21.22   | 18.90      | 21.23 |
| S.D  | 4.68              | 6.51         | 7.67    | 5.36       | 8.27  |
| CV   | 19.85             | 28.34        | 25.78   | 28.36      | 38.96 |
| CAGR | -0.044            | -0.0067      | -0.0047 | -0.056     | -0.06 |

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 LAKSHMI, THE COMPOUND ANNUAL GROWTH RATE OF OPERATING PROFIT RATIO WAS NEGATIVE DURING 2012 TO 2021.

Table 2: Analysis of Net Profit Ratio from the year 2012 to 2021

| Year | Ultra-Tech Cement | Ramco Cement | Shree  | JK Lakshmi | Prism  |
|------|-------------------|--------------|--------|------------|--------|
| 2012 | 15.62             | 20.13        | 21.22  | 13.20      | 25.99  |
| 2013 | 17.67             | 21.21        | 20.23  | 17.89      | 20.71  |
| 2014 | 14.68             | 14.86        | 13.03  | 8.42       | 11.90  |
| 2015 | 15.06             | 13.26        | 17.09  | 10.83      | 9.19   |
| 2016 | 9.80              | 8.50         | 18.45  | 2.94       | 1.78   |
| 2017 | 13.35             | 11.76        | 11.12  | 6.96       | 6.96   |
| 2018 | 13.15             | 10.53        | 25.34  | 8.02       | 3.55   |
| 2019 | 10.57             | 3.73         | 15.56  | 3.47       | -3.65  |
| 2020 | 8.78              | 6.64         | 17.22  | 4.68       | 0.66   |
| 2021 | 9.02              | 15.52        | 16.34  | 2.85       | 3.26   |
| Mean | 12.77             | 12.61        | 12.23  | 7.926      | 8.03   |
| S.D  | 3.07              | 5.58         | 5.55   | 4.91       | 9.27   |
| CV   | 24.08             | 44.28        | 45.56  | 62.05      | 115.37 |
| CAGR | -0.059            | -0.028       | -0.038 | -0.156     | -0.20  |

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 Lakshmi cement has the lowest Mean of 7.926. Prism cement incurring netloss in 2019 and attain the profit 2020 and CV is high during the 10 years

Table 3: Analysis of Return on Networth Ratio from the year 2012 to 2021

| Year | Ultra-Tech Cement | Ramco Cement | Shree | JK Lakshmi | Prism  |
|------|-------------------|--------------|-------|------------|--------|
| 2012 | 44.39             | 58.14        | 37.38 | 34.77      | 45.14  |
| 2013 | 37.38             | 50.40        | 21.22 | 25.22      | 25.83  |
| 2014 | 27.09             | 32.84        | 27.22 | 15.75      | 14.80  |
| 2015 | 23.71             | 25.10        | 12.12 | 20.73      | 10.23  |
| 2016 | 12.84             | 12.81        | 10.22 | 5.48       | 1.89   |
| 2017 | 19.02             | 19.26        | 17.23 | 13.75      | 8.18   |
| 2018 | 17.43             | 17.04        | 18.44 | 15.88      | 4.47   |
| 2019 | 12.54             | 5.54         | 16.45 | 6.28       | -4.64  |
| 2020 | 10.68             | 9.16         | 17.45 | 9.53       | 0.89   |
| 2021 | 10.48             | 18.05        | 18.89 | 5.92       | 4.06   |
| Mean | 21.55             | 24.83        | 17.34 | 15.33      | 11.08  |
| S.D  | 11.68             | 17.41        | 10.12 | 9.48       | 14.64  |
| CV   | 54.20             | 70.098       | 55.24 | 61.84      | 132.07 |
| CAGR | -0.148            | -0.12        | -0.14 | -0.178     | -0.23  |

Source: money control.com

The above Table No.03 shows the Return of networth of selected cement companies are fluctuating trend during the study period Ramco cement is having highest ratio of 24.83 and Prism

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.

## 2.4 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 Lakshmi 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 2019 and attain the profit 2020 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.

## 2.5 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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