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A study on financial performance of cement industry in India

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Abstract
Cement Industry play very significant role in Indian economy. It facilitates the basic infrastructure facility for the development of the country. Indian Cement industry is the second largest industry throughout the Globe only after China. The cement companies have seen a net profit growth rate of 85 per cent. With this huge success, the cement industry in India has contributed almost 8 per cent to India's economic development. Nowadays, the cement industry is growing fast and to know, how the financial performance of the cement industries playing a vital role in India. The present study is an attempt to evaluate the financial performance of Cement Industry of India through financial ratios and other financial and statistical tools and techniques have also been applied in order to check the overall financial position of the company.

Keywords: Financial performance, cement

Introduction
The Indian cement industry has evolved significantly in the last two decades, going through all the phases of typical cyclical growth process. With sound economic growth and infrastructure development, the demand for cement is on an upward trend, further addition to capacity is coming up to cater to the increasing demand for cements. India, being the second largest cement producer in the world after China with a total capacity of 151.2 Million Tonnes (MT), has got huge Cement Company. With the government of India giving boost to various infrastructure projects, housing facilities and road networks, the cement industry in India is currently growing at an enviable pace.

Cement is a global commodity, manufactured at thousands of local plants. The cement industry in India is dominated by around 20 companies, which account for almost 70 per cent of the total cement production in India. Because of its weight, cement supply via land transportation is expensive, and generally limited to an area within 300 km of any one plant site. The industry is consolidating globally, but large, international firms account for only 30 per cent of the World Wide Market. China is the fastest growing market today. Because it is both global and local, the cement industry faces a unique set of issues, which attract attention from communities near the plant, at a national and an international level.

Statement of the Problem
The cement industry is one of the most significant industries. It is the second highest contributor in terms of excise duty over Rs. 4000 crores in a year. Sales taxes yield around Rs. 3500 crores to state governments. Royalties, Octroi and other Cesses add another Rs.1800 crores. The industry employs a work force of over 2 lakhs persons and supports a turnover compliment of 12 lakhs people engaged indirectly. The cement industry has been selected for the research due to several important reasons. Cement is a basic core product, essential for building our nation and its growth is intrinsically linked with the overall growth of the infrastructure sector. The lack of adequate roads, port, power, and other infrastructure could prove to be a big hindrance to the rapid growth of the country. The profitability of the business depends on the cost incurred for the production of goods. If the cost increases, the profit of the business is reduced and ultimately the business may go to the liquidation stage. Moreover, the future development programme of the company can be designed according to the expenses and investment level. Future budget planning is based on the cost aspect of the companies.

Therefore, the analysis of the cost structure of the cement industries in India gets importance in the present day context.

The efficiency of the business is measured by the amount of profit generated during the particular financial year. The profit of a business may be measured by studying the profitability of investment in it. Hence, an attempt has been made to study the profitability of cement industries in India. Corporate liability is a vital factor in business. If sufficient liability is not maintained, the enterprise is technically involved and at least faces the financial embarrassment of renegotiating its obligations to creditors. The present study is an attempt to evaluate the financial performance of Cement Industry of India.

Objectives of the Study

The objectives of the present study are as follows:

- To examine the financial performance cement industry in India.
- To investigate the factors affecting the cement industry based on profitability model.

Review of Literature

We are living in the information era where the information is fast exchanged and new concepts are re-established and researched. Knowledge is getting doubled in a very short span of time. The researcher has to survey the available literature relating to his field of study.

The review of literature guides the researchers for getting better understanding of methodology used, limitations of various available estimation procedures and data base and lucid interpretation and reconciliation of the conflicting results. Besides this the review of empirical studies explores the avenues for future and present research efforts related with the subject matter. In case of conflicting and unexpected results, the researcher can take the advantage of knowledge of other researchers simply through the medium of their published works. A large number of research studies have been carried out on different aspects of the working of public and private sector by the researchers, Economists and Academicians in India. Different authors have analyzed financial performance in different perspective. A review of these analyses is important in order to develop an approach that can be employed in the context of the study of selected Indian Public and Private Sector Manufacturing Enterprises viz. Steel, cotton and cement. Therefore, the present chapter reviews the various approaches to the study on financial analysis and performance.

Singh, K.P. (1981) [1] has found out that the size of the unit has a significant role in the capital structure of the cement industry. His study has revealed that the returns and profitability can be increased by increasing the firm size from small too big.

Tiwari R.S. (1998) [2] has identified the following outcomes. He revealed that the industry must earn reasonable profits to survive and this will mostly depend on the cost of production. He also suggested that proper management, effective control and cost reduction strategies are the most important methods that need to be adopted to improve the profitability in cement companies.

Padmaja Manoharan (2002) [3] through the analytical study on "Profitability of Cement Industry in India" has revealed the variation in profitability of Indian cement companies depending on age, size and region. The study identified that quality of earning depends on management and leverage management. Further, the analysis concludes that the profitability and quality of earnings is influenced by the liquidity factor.

Santany Kumar Ghosh & *et al* (2003) [4] in this paper, "Utilization of Current Asset and Operating Profitability and an Empirical Study on Cement in India". The study concluded that the degree of current asset in positive associated with the operating profitability of the firm.

Research Methodology

Research

The primary purpose for basic research is discovering, interpreting and the development of methods and systems for the advancement of human knowledge on a wide variety of scientific matters of our world and the universe. Methodology is a way of systematically solving a research problem.

Research Design

Research design constitutes the blueprint for the collection, measurement and analysis of data. The research applied in the study is Analytical Research Design. Analytical study is a system of procedures and techniques of analysis applied to quantitative data. It may consist of a system of mathematical models or statistical techniques applicable to numeric data.

Sources of Data

The study is based on secondary data. The data used in this study are from a industry level data base on India's corporate sector, compiled by the Centre for Monitoring the Indian economy (CMIE), a private company in India.

Data Analysis

The Performance analyses of cement Industry in India were analyzed for the period of ten years from 2006-2007 to2015-2016 with the help of the following tools and techniques.

Tool Used

Ø ANOVA

Analysis of Variance

To find out whether the liquidity, leverages and efficiency positions of the cement industry during the selected period of time have any significant difference in the profitability position. Hence, Analysis of Variance (ANOVA) has been used

Hypothesis 1: There is no significant difference between the current ratio having impact on Profitability Position of Cement Industry.

Table 1: ANOVA of Current Ratio

	Sum of Squares	Mean Square	F	Sig.
Between Groups	.020	.020	3.378	.103
Within Groups	.048	.006		
Total	.068			

The above table 1 reveals that the calculated 'F Value' is 3.378. Whereas the table value is 5.32 at 5% level of significance. A comparison of the calculated value with the table value shows that the calculated value is less than the table value. From the above table concludes that there is no significant relationship among the current ratio having impact on profitability positions of the cement industry during the period of study has been accepted.

Hypothesis 2: There is no significant difference between the liquidity ratio having impact on Profitability Position of Cement Industry.

Table 2: ANOVA of Liquidity Ratio

	Sum of Squares	Mean Square	F	Sig.
Between Groups	.016	.016	3.055	.119
Within Groups	.041	.005		
Total	.056			

The above table 2 reveals that the calculated 'F Value' is 3.055. Whereas the table value is 5.32 at 5% level of significance. A comparison of the calculated value with the table value shows that the calculated value is less than the table value. From the above table concludes that that there is no significant relationship among the liquidity ratio having impact on profitability positions of the cement industry during the period of study has been accepted.

Hypothesis 3: There is no significant difference between the net profit ratio having impact on Profitability Position of Cement Industry.

Table 3: ANOVA of Net Profit Ratio

	Sum of Squares	Mean Square	F	Sig.
Between Groups	.008	.008	8.249	.021
Within Groups	.008	.001		
Total	.015			

The above table 2 reveals that the calculated 'F Value' is 8.249. Whereas the table value is 5.32 at 5% level of significance. A comparison of the calculated value with the table value shows that the calculated value is more than the table value. From the above table concludes that that there is significant relationship among the net profit ratio having impact on profitability positions of the cement industry during the period of study has been rejected.

Hypothesis 4: There is no significant difference between the Debt Equity ratio having impact on Profitability Position of Cement Industry.

Table 4: ANOVA of Debt Equity Ratio

	Sum of Squares	Mean Square	F	Sig.
Between Groups	.079	.079	9.327	.016
Within Groups	.068	.009		
Total	.148			

The above table 4 reveals that the calculated 'F Value' is 9.327. Whereas the table value is 5.32 at 5% level of significance. A comparison of the calculated value with the table value shows that the calculated value is more than the table value. From the above table concludes that that there is significant relationship among the debt equity ratio having impact on profitability positions of the cement industry during the period of study has been rejected.

Hypothesis 5: There is no significant difference between the Interest coverage ratios having impact on Profitability Position of Cement Industry.

Table 5: ANOVA of Interest Coverage Ratio

	Sum of Squares	Mean Square	F	Sig.
Between Groups	.328	.328	7.072	.029
Within Groups	.370	.046		
Total	.698			

The above table 4 reveals that the calculated 'F Value' is 7.072. Whereas the table value is 5.32 at 5% level of significance. A comparison of the calculated value with the table value shows that the calculated value is more than the table value. From the above table concludes that that there is significant relationship among the interest coverage ratio having impact on profitability positions of the cement industry during the period of study has been rejected.

Findings

1. The current ratio having impact on profitability positions of the cement industry in India.
2. The liquidity ratio having impact on profitability positions of the cement industry in India.
3. The net profit ratio having impact on profitability positions of the cement industry in India.
4. The debt equity ratio having impact on profitability positions of the cement industry in India.
5. The interest coverage ratio having impact on profitability positions of the cement industry in India.

Suggestions: Industry can reduce the interest burden by giving quality products and building brand image which will help to increase profit and utilize maximum production capacity. They can control the cost of goods sold and operating expenses. Improper planning and delays in implementation of projects lead to rise in their cost. So properly planning should be made. Industry try to increase production and sales for getting maximize profit to strengthen financial position. The management should utilize maximum production capacity.

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