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Financial performance of India Cements Limited 2010-2018

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Abstract

Cement industry is a nation building industry whose importance in a developing country can be new underestimated. Cement industry is one of the key industries in India. India Cements Limited is one leading cement producers in southern India. Financial performance analysis is the process of determine operation and financial characteristics of a firm from financial statements. The present study is an attempt to measure the financial performance of the India Cements Limited. The present study is based on the secondary data collected from the annual reports of India Cements Limited. To analyse the financial performance in terms of profitability, liquidity and credit performance here ratio analysis method is used which helps to compare present performance of the company with the past performance. The present paper explains in detail financial position of the Indian Cements Limited.

Keywords: Financial performance, ratio analysis, liquidity position, profitability

Introduction

Finance is regarded as the life blood of any organization. The aims and plans of businessman remain as mere planning unless adequate finance is available to carry out the plans. Financial performance analysis is the process of determining the operational and financial characteristics of a firm from accounting financial statements. The goal of such analysis is to determine the efficiency and the performance of management, as reflected in the financial records and reports. The analyst attempts to measure the liquidity, profitability and other indicators that the business is conducted in a rational and normal way.

Profile of India Cements Ltd

The foundation stone of India Cements Ltd. was laid down as early in 1946 before independence founder late Shri S.S.N Sankaralingam visualized the post-independence scenario after having considered the mineral potentials of south India. Primarily a banker, he ventured into the field of industry with devotion and confidence with the prime objective of developing major industries in the state of Tamil Nadu. At the end of the year 1946, the company was incorporated with the scheme of building a cement plant in the vicinity of Talaiyuthu, Tirunelveli district where extensive deposits of lime stone were abundantly available. Sankaralingam was assisted by Late T.S.N Swami, who was the catalyst and sailed the project through numerous hurdles and made it emerge as a viable and marketing proposition. In 1949 the first plant Sankaralingam started functioning with an installed capacity of lakh tons per annum. During the year 2017- company had an installed capacity of 14 million tons through 10 Plants of which 6 are located in Tamil Nadu and 4 are located in Andhra Pradesh. India Cements Ltd. (ICL) is the largest cement producer in South India with 16 million tons of production by 2017-18, and fifth largest in the country.

The present study contains the following analysis:

Ratio Analysis

Ratio analysis is a widely used tool of financial analysis. The term ratio is referred to the relationship expressed in mathematical terms between two individual figures or group of figures connected with each other in some logical manner and are selected from financial statements of the concern. It helps to express the relationship between two accounting figures

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in such a way that users can draw conclusions about the performance, strengths and weakness of a firm.

Objectives of the Study

1. To know the financial position of the India Cements Limited.
2. To verify the liquidity and profitability position of the India Cements Limited.
3. To know the financial strength and weakness of the India Cements Limited.

Research Methodology

The present study is based on the secondary data. The required data was collected and calculated from the annual reports of the India Cements Limited. The required data has been collected from the secondary sources and the relevant information was taken from the published annual reports, journals and the internet sources.

Period of the Study

The present study covers a period of nine financial years from 2010-11 to 2017-18.

Review of Literature

The financial health of the study is the central theme of the study, any decision of the company is taken on the basis of financial soundness of a firm. The increased profitability should be increased by the size of the industry. The research work, surveys and the studies that deal with the financial performance analysis had been analysed. The important among them are:

Muthukrishnan had contributed to the productivity improvement in the industry by comparing India Cements Ltd. and Madras Cements Ltd., by choosing the period 1990-91 to 2001-02 in capacity utilisation, limestone, coal and power consumption. He found out the improvement in productivity in Madras Cements Ltd and suggested the productivity measures followed in MCL to ICL. In addition, he suggested both to follow Activity Based Costing System (ABC) to improve productivity.

Haji Hassani presented A Comparison of Financial Performance in Cement Sector in Iran. In his study he presents comparison of financial performance for the period 2006-2009 by using financial ratios and measures of cement companies working in Iran. He came to the conclusion that the performance of cement companies on the basis of profitability ratio is different than on the basis of liquidity ratio, and leverage ratios.

Sumathi, Jothi (2013) ^[3] in their study A Study on Financial Performance of Cement Companies in India with reference to Ultratech Cement Limited and OCL India Limited - A Comparative Analysis have put the point forward that the financial position of the companies selected are satisfactory however the companies must improve their short-term solvency position.

Raja and Jagadeesan (2016) ^[2] in their study financial performance analysis of the India Cements Limited are of the view that overall financial analysis of the company reflects a superior financial performance with improvement in sales, exports and profit after tax.

Shabeer Rashid in his study A Study on Financial Health of Jammu And Kashmir Cements Limited "Z" Score Analysis After analysing the above data by applying Altman's 'Z' Score model it is evident that the profitability of the

company is very low, the current assets of the company should be improved. The management of company should leverage the company in the proper way, low component of debt and high equity will have significant role in the present study.

Year	External Equity	Debt Equity	Debt Equity Ratio
2010	2132.73	3528.27	0.6044:1
2011	2456.07	3539.66	0.6938:1
2012	2268.59	4067.62	0.5577:1
2013	2754	4089.64	0.6734:1
2014	2666.64	3851.77	0.6924:1

Analysis and Interpretation

Table 1: Current ratio of India Cements Limited

year	Current Assets	Current Liabilities	Current Ratio
2010	956.07	1454.1	0.6574:1
2011	804.46	1335.08	0.6025:1
2012	738.51	1781.56	0.4145:1
2013	966.39	1819.64	0.5310:1
2014	976.49	2159.52	0.4521:1
2015	1520.18	2119.97	0.7170:1
2016	1512.61	2213.97	0.6832:1
2017	1064.52	2311.35	0.4606:1
2018	1072.57	1883.16	0.5695:1

Computed from the Annual Reports of India Cements Limited

Mean	1067.98	1897.59	0.56
Standard Deviation	260.64	320.1
Co-efficient of variation	24,4	16.86

Table 1 deals with the current ratio from the year 2010 to 2018. The current ratio of 0.2:1 is considered to be ideal. The current ratio in the beginning year was 0.6574:1 which has shown gradual decline except the year 2015 and 2016. Though the current ratio was declining over all, it shows the positive growth than the ideal current ratio. Therefore, the liquidity position of the company was found to be satisfactory.

The mean value of current ratio showed an average of 0.5643. The current assets have shown more deviation than coefficient of variation, company should take proper care of excess liability.

Table 2: Debt equity ratio of India Cements Limited

2015	2414.42	3539.09	0.6719:1
2016	2518.4	3648.3	0.6903:1
2017	2030.15	3081.52	0.6588:1
2018	2030.15	3081.52	0.6588:1

Computed from the Annual Reports of the India Cements Limited

Mean	2063,46	3609.04	0.65
Standard Deviation	250.34	344.78
Co-efficient of variation	10.59	9.55

Table 2 deals with the debt equity ratio. Debt equity ratio shows us position of internal and external equities. The table shows that internal equities have gradually increased over the study period as compared to external equities which is a good sign. The mean value of debt equity

ratio showed an average of 0.655. External equities show less standard as compared to the internal equities. The coefficient of variation of external equities is less as compared to internal equities, which implies that there is more consistency in external equities.

Table 3: Net profit ratio of India Cements Limited

Year	Net profit After Tax	Net Sales	Net profit Ratio
2010	354.34	3687.06	9.6103
2011	68.1	3414.29	1.9957
2012	292.97	4203.4	6.9896
2013	163.55	4597.04	3.5577
2014	-162.4	4440.88	-3.6576
2015	129.45	4423.61	2.9268
2016	137.18	4226.86	3.2604
2017	173.35	5772.55	3.005
2018	100.62	5355.45	1.8843

Mean	159.75	4456.71	3.28
Standard Deviation	137.75	694.89
Co-efficient of Variation	98.16	15.59

Calculated from the Annual reports of the India Cements Limited

Table 3 deals with the net profit ratio. The net profit ratio at the beginning was 9.61 which has gradually decreased over the study period and has come down to 1.88 during the last year of the study. The main reason behind the decline is increase in raw material cost, labour cost and rapid market competition. In the mean value net profit showed an average of 3.28. The standard deviation is more in net sales, while as coefficient of variation is more in net profit.

Although company shows a stable financial position steps should be taken to improve the profit in the long run.

Conclusion

Financial performance of the India Cements Limited has remained well enough. Even after tough market competition and other raw material and labour cost increase. Company is paying enough dividends to its shareholders and has finely managed its liquidity and solvency positions. That is the reason India Cements Limited is number one cement producing company in Southern India and is contributing to the development of India since beginning.

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