

# Trend in Sales and Profitability Positions of the Select Cement Industries in India

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## ARTICLE DETAILS

### Article History

Published Online: 03 Oct 2018

### Keywords

Financial Analysis, Financial Decision Making And Planning ,Trend Projection

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## ABSTRACT

Financial management mentions to the efficient and effective management of funds in such a manner as to achieve the objectives of the firm. It is the specialized function directly attendant with the top management. The importance of this function is not seen in the 'Line' but also in the capacity of the 'Staff' in overall of a company. It has been defined differently by different pundit in the field. The term typically applies to an firms or company's financial strategy, while personal finance or financial life management refers to an individual's management strategy. It incorporates how to raise the capital and how to allocate capital, i.e. capital budgeting. Not only for long term budgeting, but also how to allocate the short term resources like current liabilities. It also deals with the dividend policies of the shareholders.

## 1. Introduction

Finance is regarded as the lifeblood of every business Organization. This is because in the modern money-oriented economy, finance is one of the basic fundamentals of all kinds of economic activities. It is the master key which provides access to all the sources for being employed in manufacturing, promoting and trading activities. It has rightly been said that business necessity money to make more money. However, it's also true that money to gets more money only when it is properly engaged. Hence, effective management of even business venture is closely linked with efficient management of its finance.

In general, finance as the Reserve of money at the time it is needed. However, as a management function, it has a special meaning. Finance function may be defined as the procurement of funds and their effective utilization.

## 2. Definition for Finance

According to **Paul.G.Hastings**, "Finance is the management of the monetary affairs of a company". It includes determining what has to be paid for raising the money on the best terms available, and devoting available funds to the best uses."

According to **Dr.AX.Kignshott**, "Finance is the common denominator for vast range of corporate objectives, and the major part of any corporate plans must be expressed in financial terms".

## 3. Financial Analysis

In the financial management process, the primary stage in the process is a financial or review of the firm. Financial analysis is essentially the first step towards gaining a sound understanding of a business. Financial analysis is the evaluation of a firm's past; present foresee future financial performance and organization condition. Its objectives are to identify the firm's financial strengths and weakness and to provide the essential foundation for financial decision making and planning.

## 4. Business Finance

Business finance is that business activity, which is concerned with the acquisition and conservation of capital funds to meet financial requirement and overall objectives of a business enterprise.

Financial functions of a business may be stated as the procurements of funds and their effective utilization.

## 5. Scope of the Study

The study aims to measure the liquidity, solvency, efficiency, profit and growth of cement industries and identify the drawbacks which are of the indicators of the low performance of the industry. The result of the study may help the management of the industries in taking suitable decisions for better performance in future the optimum utilization of resources, efficient management of activities, control on the costs and expenses, and enhancement of productivity is essential for the survival of the organization. Based on the analysis, this study will provide valuable suggestion which will enable the companies to overcome its weakness and enhance its financial performance.

## 6. Objectives of the Study

- To estimate the trend in Sales and Profitability positions of the cement industries.
- To contribute recommendations for the development of cement industries.

<sup>1</sup> Introduction to business / Paul G. Hastings. Author. Hastings, Paul G. (Paul Guiler), 1914-. Edition. 2nd ed. Published

## 7. Research Methodology

### Data Collection Method

Data has been collected from secondary sources namely annual reports, company manuals and other relevant documents. On websites, textbooks & journals. Top four players in cement sector in India are selected for the study. Statistical tools are used to analyze is Trend Projection

The companies are

1. Ultratech India Cements
2. Madras Cements
3. JK Cements
4. Chettinad Cements

The motive for selecting the companies is based on the leading players in the market. The companies are mostly recommended by the dealers for their economic price and the quality of the product they provide to the customers. Hence, these four cement companies were selected for the study and their financial performance was analysed. The data was collected from Money control.com. The companies are listed as public limited companies.

#### Period of Study

The period of study covers 5 years (2009-10 to 2013-14).

#### Trend Projection

The financial statements may be analysed by computing trends based on the actual values and the projection is based on the results obtained. The formula mentioned hereunder

$$y = ax + b$$

#### 8. Limitations of the Study

- This study is mainly based on secondary data.
- It is only for a period of 5 years.
- It is confined only to four five cement companies in the private sector, so it cannot be generalized for other similar or different industry having identical operations.

#### 9. Review of Literature

Review of literature is essential for every researcher to carry on the investigation successfully. A thorough review of literature will expose the researcher to the previous studies conducted, their area of study etc, which in turn would help the researcher to decide upon the area not studied upon and that on which area the study should concentrate on.

The review of literature helps the researcher to have a first-hand knowledge about the parallel work done by others. This enables to fix the title, objectives and methodology and to have a comprehensive understanding of the proposed study and based on the concepts the following studies are reviewed;

**SherlyRoselin (1993)<sup>1</sup>** study concluded "Financial Performance Appraisal, A Case Study of Associated Cement Companies Limited". The financial position of the company was satisfactory for the period. She has also suggested that the company may take steps to improve the profit by increasing the capacity utilization, productivity of machinery and manpower, control over the emphasis of input costs by adopting cost-volume profit analysis and budgetary control system.

**Mr.SardeeshBabu.B (1998-2000)<sup>2</sup>** in her study "A Study on Financial Performance of Fertilizers and Chemicals Travancore Limited". The cost on various overheads can be brought down by carefully scrutinizing each item and applying cost cutting techniques. The profitability of the company can be improved by reducing the expenses that do not contribute any productive use. The current assets can be managed efficiently by examining the material holding and stock holding procedure and pattern. If the company increase its turnover and reduces its cost, the profit will increase leading to an increases in the growth rate of sales, profit before tax and profit after tax.

**Poongodi (2003)<sup>3</sup>** in her study "A Study on Financial Performance of Cement Industries" in south India with special reference to Tamil Nadu, Karnataka and Andhra Pradesh" focused on ascertaining the profitability and measuring the earning capacity of cement industry. She has suggested that they have to develop their long-term and short-term solvency position and increase in their total sales by adopting modern marketing techniques.

#### 10. Analysis and interpretation

**Trend projection:** The financial statements may be analysed by computing trends based on the actual values and the projection is based on the results obtained. The formula and calculation of values are mentioned hereunder

$$y = ax + b$$

Taking  $\Sigma$  in both sides

$$\Sigma y = a\Sigma x + bn \quad (\text{Eqn. 1})$$

Taking  $x$  in both sides

$$\Sigma xy = a\Sigma x^2 + b\Sigma x \quad (\text{Eqn. 2})$$

Result = Projected Value

**Table No.4.17**

**Trend Projection Showing Net Sales from 2009-10 to 2013-14 (Actual Period) and Projected Value during 2014-15 to 2018-19 (Projected Period)**

Actual Periods	Ultratech Cements	Madras Cements	JK Cements	Chettinad Cements
2009-10	7,042.82	2,807.18	2,053.16	1,368.74
2010-11	13,312.58	2,620.71	2,361.35	1,545.58
2011-12	18,313.13	3,273.57	2,544.95	2,059.90
2012-13	20,174.94	3,830.80	2,911.97	2,450.78
2013-14	20,279.80	3,683.51	2,795.85	2,206.18

<sup>2</sup>SardeeshBabu.B, "Financial Performance of Fertilizers and Chemicals Travancore Limited", Unpublished M.Phil Dissertation, Bharathiar University, Coimbatore-46, 1998-2000.

<sup>3</sup>Poongodi, "A Study on Financial Performance of Cement Industries with reference to South India", M.Phil. Dissertation, BharathiarUniversity, Coimbatore-46, 2003.

<sup>1</sup>SherlyRoselin, "Financial Performance Appraisal, A Case Study of Associated Cement Companies Limited", Unpublished M.Phil Dissertation, Bharathiar University, Coimbatore-46, 1993.

Trend Projection	Ultratech Cements	Madras Cements	JK Cements	Chettinad Cements
2014-15	15.896	17.492	17.707	16.791
2015-16	17.948	18.746	18.853	18.396
2016-17	20.000	20.000	20.000	20.000
2017-18	22.052	21.254	21.147	21.604
2018-19	24.104	22.508	22.293	23.209

The above table shows that during the initial projected period the net sale of Ultratech Cements reveals 15.89% which gradually and consistently increased to reach at 24.104 % which reveals that the margin found increasing during the projected period. This shows that the future trend of Ultratech Cements towards net sales ratio is found to be healthy.

As far as Madras Cements is concerned the above table shows that during the projected period the net sales stood at 17.492% which gradually and consistently increased to reach at 22.508%. Therefore the ratio found to be increasing consistently in each and every year. It is clear that the future trend of Madras Cements towards profitability is healthy.

With regards to JK Cements, during the projected period the net profitability reveals 17.707% which gradually and consistently increased to reach at 22.293%. Therefore, the trend was found to be increasing consistently in each and every year. It is found that the future trend of JK Cements towards its profitability position is satisfactory.

With respect to Chettinad Cements it is clear that during the projected period the net sales position was found to be 16.791% which gradually and consistently increased to reach at 23.209%. Therefore, it is clear that the net profitability during the projected period was increasing consistently. It was found that the future trend of Madras Cement towards net sales ratio is satisfactory. To sum-up all the companies are showing positive growth trend, towards the sales which was found to be constantly increasing year by year during the projected period. There was no downfalls found in net sales during the actual period as well as projected periods of all the four companies selected for the study and all the companies were found to be performing extraordinarily well to reach positive positions with respect to net sales during the every stage of the financial years and during the projected periods as well.

**Table No.4.18**

**Trend Projection Showing Net Profit Margin from 2009-10 to 2013-14 (Actual Period) and Projected Value during 2014-15 to 2018-19 (Projected Period)**

Actual Periods	Ultratech Cements	Madras Cements	JK Cements	Chettinad Cements
2009-10	1,093.24	353.68	226.00	96.63
2010-11	1,404.23	210.98	64.05	75.17
2011-12	2,446.19	385.11	177.33	188.00
2012-13	2,655.43	403.65	233.55	137.54
2013-14	2,144.47	137.70	97.03	106.04

Trend Projection	Ultratech Cements	Madras Cements	JK Cements	Chettinad Cements
2014-15	2954.81	226.44	133.06	145.03
2015-16	3290.18	202.51	124.22	153.15
2016-17	3625.54	178.58	115.37	161.27
2017-18	3960.91	154.65	106.53	169.39
2018-19	4296.27	130.72	97.68	177.51

Trend Projection	Ultratech Cements	Madras Cements	JK Cements	Chettinad Cements
2014-15	16.300	25.360	23.066	17.986
2015-16	18.150	22.680	21.533	18.993
2016-17	20.000	20.000	20.000	20.000
2017-18	21.850	17.320	18.467	21.007
2018-19	23.700	14.640	16.934	22.014

The above table shows that during the initial projected period the net profit margin of Ultratech Cements reveals 16.3% which gradually and consistently increased to reach at 23.7% which reveals that the margin found increasing during the projected period. This shows that the future trend of Ultratech Cements towards net profit ratio is found to be healthy.

As far as Madras Cements is concerned the above table shows that during the projected period the net profitability stood at 25.360% which gradually and consistently declined to reach at 14.64%. Therefore the ratio found to be declining consistently in each and every year. It is clear that the future trend of Madras Cements towards profitability is not healthy.

With regards to JK Cements, during the projected period the net profitability reveals 23.06% which gradually and consistently declined to reach at 16.934%. Therefore, the trend was found to be declining consistently in each and every year. It is found that the future trend of JK Cements towards its profitability position is unsatisfactory.

With respect to Chettinad Cements it is clear that during the projected period the profitability position was found to be 17.986% which gradually and consistently increased to reach at 22.014%. Therefore, it is clear that the net profitability during the projected period was increasing consistently. It was found that the future trend of Chettinad Cement towards net profit ratio is satisfactory.

To sum-up all the companies are showing positive growth trend, towards the profitability and was found to be constantly increasing year by year during the projected period. With regards to Madras cements and JK Cements there was few downfalls found in net profitability during the actual period in the between stages and final stages whereas the other two companies Ultratech Cements and Chettinad Cements are found to be performing extraordinarily well to reach at positive position during the financial years and during the projected periods as well.

## 11. Findings

- ⇒ To sum-up all the companies are showing positive growth trend, towards the sales which was found to be constantly increasing year by year during the projected period. There was no downfalls found in net sales during the actual period as well as projected periods of all the four companies selected for the study and all the companies were found to be performing extraordinarily well to reach positive positions with respect to net sales during the every stage of the financial years and during the projected periods as well.
- ⇒ To sum-up all the companies are showing positive growth trend, towards the profitability and was found to be constantly increasing year by year during the projected period. With regards to Madras cements and JK Cements there was few downfalls found in net profitability during the actual period in the between stages and final stages whereas the other two companies Ultratech Cements and Chettinad Cements are found to be performing extraordinarily well to reach at positive position during the financial years and during the projected periods as well.

## 12. Suggestions

All the companies are showing negative growth trend, towards the profitability and was found to be constantly declining during the ending years. The overall profitability position considering average for the five years period shows positive growth, however, the linear growth of the companies reflects actual situation of the net profit margin. It is recommended the management shall take stringent measures to stop the declining profitability positions of the companies. The same reflection was found in the case of trend projections. Whereas, the sales of the companies were showing positive growth trend the net profitability of all the companies were found to be negative. It is recommended that the financial

department shall analyse the actual situation and take the projected figures based on the research to improve the profitability positions of the cement industries taken for the study.

The growth is assured if all the companies strengthen the financial position and stabilize their business by considering the suggestions that shall help the management to achieve greater heights in the years to come.

## 13. Conclusion

Financial management means the entire gamut of managerial efforts devoted to the management of finance- both its sources and uses- of the enterprise. It has rightly been said that business needs money to make more money .However, it's also true that money to gets more money only when it is properly managed. Hence, efficient management of even business enterprise is closely linked with efficient management of its finance. The relationship between two figures expressed mathematically is called a ratio. It is used as index or yard stick for evaluating the financial position and performance of a firm. The optimum utilization of resources, efficient management of activities, control on the costs and expenses, and enhancement of productivity is essential for the survival of the organization. Based on the analysis, this study will provide valuable suggestion which will enable the companies to overcome its weakness and enhance its financial performance. The study is conducted to analyse the present financial performance of the organizations. The situation of the organization was taken for the study is through analyzing the five years annual report which clearly depicts the balance sheet in which the source of funds, application of funds and current liabilities & provisions of the company. The growth is assured if all the companies strengthen the financial position and stabilize their business by considering the suggestions that shall help the management to achieve greater heights in the years to come.

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