

# Analysis of return on capital employed of selected Cement industries of NSE in India

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## ARTICLE DETAILS

### Article History

Published Online: 15 July 2019

### Keywords

ROCE, cement industries, ANOVA test.

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## ABSTRACT

*In this research paper an attempt has been made to study return on capital employed of five selected cement companies from NSE in India. Secondary data with the sample size of five have been used. Selected companies are major contributors in the field of Cement. Researcher has also tested hypotheses with the help of ANOVA test. The result of the research says that Shree cement Ltd., ACC Ltd. and Ultratech cements Ltd are outstanding companies which is validated by the result of ANOVA test because the result is significant which means that all companies performance are not similar.*

## 1. Introduction

Infrastructure is a backbone of socio-economic development of India and its companies. A country can't be self reliant unless it evolves a large scale infrastructure network. The construction industry is very important for in Indian economic growth, infrastructural development and employment generation. The industry trains manpower not only for meeting the domestic requirements but also the need for foreign markets. Cement is always considered as a barometer of progress in developing country and is rightly taken as an important economic activity indicator.

## 2. Return on Capital Ratio

ROCE ratio presents a percentage, complements the return on equity ratio by included companies liabilities to equity reflects on total companies capital employed. Net Capital Employed is the total of fixed assets plus current assets minus current liabilities. Alternatively, it is the quantum of permanent capital e.g. Noncurrent liabilities plus shareholder's equity. The numerator, e.g. Net profit before interest and taxes but after depreciation has been taken for computing this ratio.

Return on Net Capital Employed = Net Profit before interest and taxes / Net Capital Employed \* 100

ROCE is also write as Operating profit divided by capital employed of the company.

This ratio is the best of overall profitability and efficiency of the business firm. A company with high rate of return on capital employed will be in a position to capitalize; e.g. it can take advantage of all favorable market opportunities.

## 3. Review of Literature

From the research of **Vivek Singla**, in the year 2013 and he analyzed the financial performance of selected firms. It includes analysis of profitability and working capital. Financial performance is a yardstick to measure financial and operational efficiency of the firm. Strategic and operational of thinking mainly depends on analysis of financial performance.

Research of **Biari Jebwd, Nunlb Srivubva and Surhrar** in the year of 2013. studies the relationship of return on capital employed of company in cement industry in India, Study indicates that than is week positive correlation between capital structure and two ratios i.e. GPR and ROE.

**World steel Asso.** indicate in their research in 2014 is crucial to the development of any modest economy and is conceded to be the backbone of human civilization.

## 4. Research Methodology

### Title of problem

Analysis of return on capital employed of selected Cement industries of NSE in India.

Researcher has adopted a secondary data for the research. These data was collected from various magazines, companies' annual reports, and companies' websites like moneypore, money control, and site of the association of companies. Ultratake Researcher has used for this study accounting ratio as analytical tools. and statistical tools- technique, like mean, standard deviation, deviation, variance and ANOVA test.

**Source of data:** - The entire study is based on secondary type of data; the researcher has collected secondary relevant data from the money control website.

## 5. Sample size

The universe of the study is all cement companies listed in NSE in India and the Sample size for the study is selected five companies out of all cement companies of NSE in India on the basis of availability of relevant data on website, the list of selected companies are Ultratech Cements, ACC Ltd. Ambuja Cements, J. K. Cements, Shree Cements Ltd.

## 6. Period of study

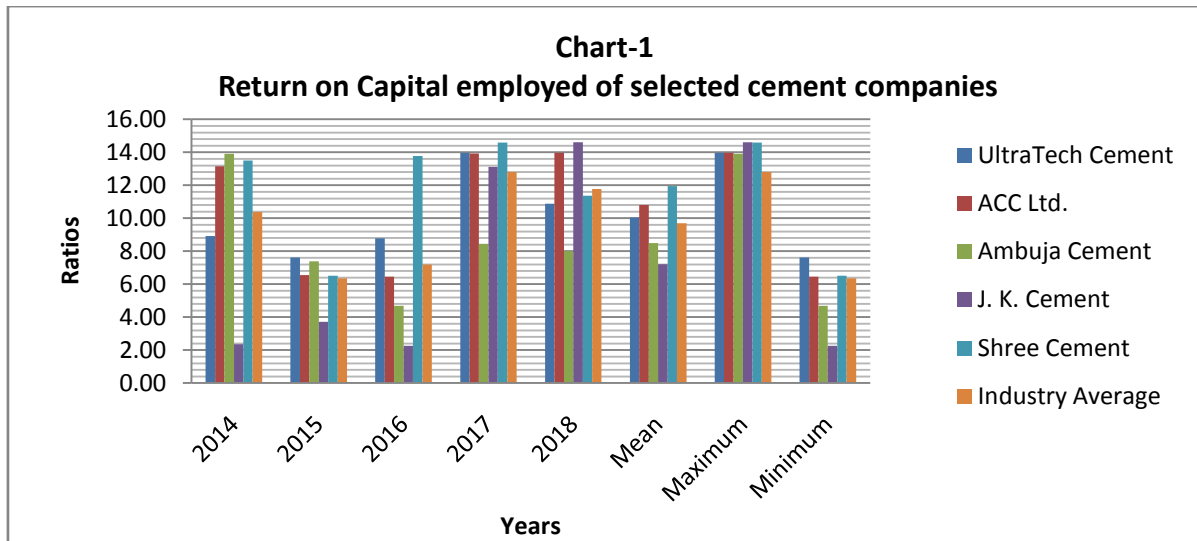
Study period of the study researcher has selected is of five financial years from 2014 to 2018.

**7. Research tools** One way analysis of variance test (ANOVA) is used for measuring the return on capital

employed of selected cement companies of NSE in India

Name of Companies	2014	2015	2016	2017	2018	Mean	Maximum	Minimum
Ultratech Cement	8.92	7.62	8.78	13.96	10.88	10.03	13.96	7.62
ACC Ltd.	13.14	6.54	6.44	13.93	13.97	10.80	13.97	6.44
Ambuja Cement	13.91	7.38	4.67	8.42	8.00	8.48	13.91	4.67
J. K. Cement	2.35	3.71	2.25	13.11	14.60	7.20	14.60	2.25
Shree Cement	13.50	6.50	13.77	14.59	11.36	11.94	14.59	6.50
Industry Average	10.36	6.35	7.18	12.80	11.76	9.69	12.80	6.35

(Source: Data computed by researcher from www.moneycontrol.com).



From the analysis of above table no.1 shows ROCE from Ultratech Cement was 8.92 in 2014 which decrease to 7.62 in 2015 and it rose to 8.78 in 2016 again it increase 13.96 in 2017 and it slipped to 10.88 in 2018. The highest ratio of this company was 13.96 in 2017 and lowest was 7.62 in 2015. The average ratio of the company was 10.03 which were higher to industry average. This ratio has fluctuated trend.

Return of capital employed of ACC Ltd. was 13.14 in 2014 which decrease to 6.54 in 2015 and again it down to 6.44 in 2016 it was increase to 13.93 in 2017 and again it rose to 13.97 in 2018. The highest ratio of this company was 13.97 in 2018 and lowest was 6.44 in 2016. The average ratio of the company was 10.80 which were higher to industry average. This ratio has fluctuated trend.

Return of capital employed of Ambuja cement was 13.91 in 2014 which decrease to 7.38 in 2015 and again it down to 4.67 in 2016 it was increase to 8.42 in 2017 and again it was down to 8.00 in 2018. The highest ratio of this company was 13.91 in 2014 and lowest was 4.67 in 2016. The average ratio of the company was 8.48 which were lower to industry average. This ratio has fluctuated trend.

Return of capital employed of J.K. cement was 2.35 in 2014 which increase to 3.71 in 2015 and it down to 2.25 in 2016 it was increase to 13.11 in 2017 and again it was rose to 14.60 in 2018. The highest ratio of this company was 14.60 in 2018 and lowest was 2.25 in 2016. The average ratio of the company was 7.20 which were lower to industry average. This ratio has fluctuated trend.

Return of capital employed of Shree cement was 13.50 in 2014 which decrease to 6.50 in 2015 and it rose to 13.77 in 2016 it was increase to 14.59 in 2017 and it was slepted to 11.36 in 2018. The highest ratio of this company was 14.59 in 2017 and lowest was 6.50 in 2015. The average ratio of the company was 11.94 which were higher to industry average. This ratio has fluctuated trend.

**H0:** There is no significant deference between the ROCE of selected cement companies of NSE in India during the period of study.

**H1:** There is significant deference between the ROCE of selected cement companies of NSE in India during the period of study.

Level of significance: 5 %

Sample size: 5 companies.

Table No. 2 ANOVA table of return on capital employed						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Companies	159.3882	4	39.85	3.371219	0.03	2.87
Within Companies	236.3956	20	11.82			
Total	395.7838	24				

Table no. 2 is of Anova table of return on capital employed of selected cement companies of NSE in India. The calculated value is 0.03 and critical value is 2.87 calculated value is less than critical value. Hence, null hypothesis is selected and alternative hypothesis is rejected. The deference is no significant.

### 8. Findings and Suggestions

From the above analysis of Return on capital employed of Shree Cement (11.94) than followed by ACC Ltd. (10.80) and Ultra take cement (10.03) and rest of companies followed by Ambuja cement(8.48) and J.K. cement (7.20) have return on

capital employed below to industry average which shows that liquidity position of these companies are not good.

This ratio measures the proficient use of capital of a company by expressing its operating profit as a percentage of its capital employed. From the analysis it is to be found that return on capital employed below than 50% in all the selected cement companies of NSE in India. Accordingly all the selected cement companies try to maintain the ratio up to fifty percent because its point to well—organized use of funds. The company should try to increase the production so as to get economies of large—scale service provocations. It will assist in raising the rate of return on capital employed. The quantum of sales generated should be improved impressively in order better to enjoy better per of the assets and capital employed.

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