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A STUDY ON FINANCIAL PERFORMANCE OF CEMENT CORPORATION OF INDIA (CCI) LIMITED

Rishabh Bharadwaj[1], Dr. Chinmayee J Bhatt[2]

[1]Research Scholar, Rai University, Dholka, Ahmedabad, Gujarat, India.
[2]Center for Research & Development, Department of Commerce, Rai University, Dholka, Ahmedabad, Gujarat, India.

ABSTRACT

The role played by the cement industry is a prominent one in the Indian economy. The cement industry facilitates the operations of the basic infrastructure facility to develop the country. The cement industry of India is the second largest industry globally, second only after China. This study attempts to evaluate India's cement industry's financial performance. It gives a special reference to the Cement Corporation of India Limited (CCI). The evaluation of the financial performance is done via financial ratios. The company's liquidity position will be evaluated via short-term solvency ratios. Earning performance is evaluated via profitability ratios. A number of other financial and statistical tools and techniques are also used to check the holistic financial condition of the company.

KEYWORDS: Financial Performance, Cement, India, CCI.

INTRODUCTION:

India's cement industry is one of the prime employers of the economy. The cement industry of India directly or indirectly employs over a million people. Following its deregulation in 1982, the Indian cement industry has received massive investments, from Indian and foreign investors. This has made it the second largest cement company in the world.

India's cement industry is currently experiencing a turnaround phase as it tries to adhere to the global production, safety, and energy-efficiency standards. The cement sector of India is anticipated to largely benefit from the massive potential for development in the infrastructure and construction sector of India. A couple of major government initiatives taken, such as the development of 100 smart cities, is anticipated to considerably boost the sector.

Expecting developments of such types in the country whilst assisted by suitable government foreign policies and investments from foreign players, viz. Lafarge, Holcim and Vicat in the country seem promising. A considerable factor aiding this sector's growth is the immediate availability of the raw materials for cement production, viz. limestone and coal.

MARKET SIZE:

India's cement market is anticipated to grow at a compound annual growth rate (CAGR) of 8.96% in 2014-2019. India's housing sector drives the demand of cement, as it accounts for over 67% of the total consumption. Major consumers of cement are infrastructure (13%), commercial construction (11%), and industrial construction (9%).

To fulfil the rising demand, cement companies are expected to add 56 million tonnes (MT) capacity in the coming 3 years. India's cement capacity is expected to register 8% growth by the end of the next year to 395 MT. The current level is 366 MT. It could rise to 421 MT by the end of 2017. India's per capita consumption is around 190 kg. A total of 188 large cement plants altogether account for 97% of the total installed capacity in India. Also, the 365 small plants account for the remaining 3%.

From among these large cement plants, 77 are situated in Andhra Pradesh, Rajasthan and Tamil Nadu. The cement industry of India is dominated by only a couple of companies. The top 20 cement companies account for around 70% of the total cement production of India.

INVESTMENTS:

Owing to growing demands, and because of increased construction and infrastructural activities, India's cement sector is witnessing high investments and developments of late. As per the Department of Industrial Policy and Promotion (DIPP) data, cement and gypsum products saw foreign direct investment (FDI) worth US$ 3,084.89 million during April 2000-December 2019.

A couple of major investments in the Indian cement industry are stated below:

- Dalmia Cement (Bharat) Ltd. has invested over Rs. 2,000 crore (US$ 321.12 million) in its business expansion in North-East in the preceding two years. At present, CCI has 3 manufacturing plants in Meghalaya and 2 in Assam.
- JSW Group is considering expanding its cement production capacity to 30 MT per annum. Its current capacity is 5 MTPA. JSW Group plans to set up grinding units near its steel plants.
- UltraTech Cement Ltd.'s next phase of green field expansion following aggressive acquisitions in the last 2 years. After the takeover by UltraTech of two cement plants owned by the Jaypee Group, UltraTech is planning to establish 2 greenfield grinding units in Bihar and West Bengal, per Mr. O. P. Puranmalka, Managing Director, UltraTech.
- UltraTech Cement Ltd. has expressed its readiness to buy 2 cement plants and their Jaiprakash Associates Ltd. 's (Madhya Pradesh) associated power assets for Rs. 5,400 crore (US$ 867.28 million).
- JSW Cement Ltd. is planning to establish a 3 MTPA clinkerisation plant at Chittapur in Karnataka with a projected cost of Rs. 2,500 crore (US$ 401.55 million).
- Andhra Cements Ltd. has started the commercial production in its cement plants – Durga Cement Works (Dachepalli, Guntur) and Visakha Cement Works (Visakhapatnam).

LITERATURE REVIEW:

A Ratio is simply one number expressed as (i) Percentage (ii) fraction and (iii) a stated comparison between numbers. According to Hingorani, "Accounting ratios are relationships expressed in mathematical terms between figures with a cause and effective relationship or which are connected with each other in some manner or the other." Ratio may be based on figures in the profit and loss A/c or in the balance sheet or in both. So the Ratio Analysis is the study of specific relationship and forms the heart of the statements analysis.

The most important pioneering books were written by PODDAR in 2012 and 2017 respectively, in which an attempt has been made to enumerate all the historical facts regarding various aspects of the industry. Some institutions like C.M.A. association of Trade and Industry, Tariff Commission, Commerce Research Bureau, Economics Times, National Productivity Council etc. have made attempts to study the general problems in historical perspectives.

Alovsat Muslumov (2015) concluded that the privatization was associated with a declining value added and shareholders 'profitability in Turkish cement industry. A decline in the value added and shareholders' profitability were mainly caused by the decrease in return on assets. The decline in the return on asset was traced to declining asset productivity. These results are not consistent with previous cross-sectional privatization studies and a number of country studies.

S. Chandrakumarmangalam and P. Govindasamy (2019) investigate the relationship between the leverage (financial leverage, operating leverage and combined leverage) and the earning per share, and this study also explains the relationship between the Debts equity ratio and Earning per Share and how effectively the firm be able debt financing, the results suggest that the leverage and profitability and growth are related and the leverage is having impact on the profitability of the firm.

Chakraborty (2017) employed two performance measures, including ratio of profit before interest, tax and depreciation to total assets and ratio of cash flows

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to total assets and two leverage measures, including ratio of total borrowing to assets and ratio of liability and equity, and reported a negative relation between these ones.

Hajihassani (2018) presented A Comparison of Financial Performance in Cement Sector in Iran. This study presents comparison of financial performance for the period 2006–2009 by using financial ratios and measures of cement companies working in Iran. Financial ratios are divided into three main categories and measures including two indicators. This work concludes that the performance of cement companies on the basis of profitability ratio is different than on the basis of liquidity ratio, leverage financial.

RESEARCH OBJECTIVE:

The objectives of the present study are as follows:

1. To evaluate the financial performance of Cement Corporation of India.
2. To measure the liquidity position of Cement Corporation of India.
3. To analyse the profitability position of Cement Corporation of India

DATA ANALYSIS:

	2015-16	2016-17	2017-18	2018-19	2019-20
Current Ratio	1.12	1.36	1.19	3.82	4.71
Liquid Ratio	0.81	1.02	0.79	2.32	2.74
Net Profit Ratio	14.29	14.3	7.5	5.22	2.48
Debt Equity Ratio	-1.77	-2.38	0.52	-3.25	-4.65
Interest Coverage Ratio	1.41	1.41	0.74	2.13	1.82

The table above shows the description of financial ratios of CCI Limited for the period 2015-16 to 2019-20. Liquidity position wasn't looking good in the study's initial years since it was below the standards. Liquidity positions went really high in the following years since it was 3.82 times and 4.71 times in 2019-20. Profitability position is measured via the net profit ratio. It was 14.29% in 2015-16 and 14.30% in 2016-17.

In 2017-18, the company's profitability position declined since the net profit ratio stood to be 7.50%. A decreasing trend is shown in the remaining study period. The solvency position of CCI is checked via a debt-equity ratio. It depicts a negative trend of solvency since negative shareholders fund in the study period. The company isn't able to manage its shareholders' fund in the study duration. In 2015-16, interest coverage ratio was 1.41, which fluctuated in the study period and finally rested at 1.82 in 2019-20.

CORRELATION BETWEEN RATIOS:

	Current Ratio	Liquid Ratio	Net Profit Ratio	Debt Equity Ratio	Interest Coverage Ratio
Current Ratio	1				
Liquid Ratio	0.9983	1			
Net Profit Ratio	-0.8479	-0.8217	1		
Debt Equity Ratio	-0.8294	-0.8510	0.4156	1	
Interest Coverage Ratio	0.7780	0.8065	-0.3819	-0.8827	1

From the above table it can be seen that there is significant correlation between Current ratio and Liquid ratio. Highest negative correlation can be seen between Interest coverage ratio and Debt equity ratio.

CONCLUSION:

This study is dedicated to study the evaluation of financial performance of the cement industry of Indian. A particular reference is given to the CCI Limited for the period 2015-16 to 2019-20. Accounting ratios are used by the researcher for measuring the financial performance of CCI limited. In this study, Liquidity, profitability and solvency position are analyzed. The analysis of this study indicates that the company's short-term solvency position isn't satisfactory in the study period. Adequate profit wasn't earned by the company in the study period as net-profit went low.

The CCI's solvency position exhibits a negative trend owing to negative reserve and surplus figures in the study period. Interest coverage ratio shows that CCI successfully met interest expenses via its profit. The study analysis makes it apparent that sales doesn't have a considerable impact on CCI's net-liquidity position, profitability and solvency position. CCI didn't pay its obligations in time owing to the early study period. CCI earns satisfactory profit in the initial 2 years; however, it got reduced in the remaining period of the study period.

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