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A study on the financial performance & problems faced by the cement industry in India

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Abstract
The Indian cement Industry is the second large market 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. For this, to analyse the Financial Performance, to measure the balance sheet of financial feasibility, to identify the factors that influences the profitability status of the selected cement companies.
In the present study data has been collected by using secondary source. The data is collected from annual report, books, internet, magazines, newspaper etc. The following tools which were used in the research study is Trend analysis, Ratio analysis, Anova for testing the hypothesis. The financial performance study of the chosen automotive industry not only improves our comprehension of the economic environment of the sector but also offers a framework for promoting competitiveness and sustainable growth in a constantly shifting global market.

Keywords: Cement industry, economic development, financial feasibility, profitability

Introduction
Financial analysis refers to the purpose of examining minutely and evaluating the financial condition and the results of operations (i.e., the performance) of a business enterprise. In other words, financial analysis is an in-depth study of a firm's financial position (i.e., capital, assets and liabilities of a firm at a point of time) and its financial performance (i.e., income, profitability, solvency, earnings per share, dividend payout etc.,) over a period of time. The accounts of various financial items as referred to above are recorded and compiled in a set of statement and reports periodically in the form of the Balance sheet and Profit and loss Account. These financial reports and statements provide the accounting data and relevant information, which forms the basis for undertaking financial analysis.

Financial Statement
Financial statements are written records that convey the business activities and the financial performance of a company. Financial statements are often audited by government agencies, accountants, firms, etc. to ensure accuracy and for tax, financing, or investing purposes. Financial statements are written records that convey the business activities and the financial performance of a company. The balance sheet provides an overview of assets, liabilities, and stockholders' equity as a snapshot in time. The income statement primarily focuses on a company's revenues and expenses during a particular period. Once expenses are subtracted from revenues, the statement produces a company's profit figure called net income. The cash flow statement (CFS) measures how well a company generates cash to pay its debt obligations, fund its operating expenses, and fund investments. The financial statements are used by investors, market analysts, and creditors to evaluate a company's financial health and earnings potential. The three major financial statement reports are the balance sheet, income statement, and statement of cash flows.

Review of Literature
Bhandi & Kumnoor (2013) [11] in their analytical study on "Problems and Prospects of Cement Industry" explored how the government implemented appropriate pricing and distribution which reduced the costs as well as being beneficial to the cement users and

producers. They believed that in order to reduce costs, cement producers should relocate close to the market, expand the production of mix cement, take advantage of tax breaks, negotiate preferential power rates and set up captive power plants. According to them, all of these would contribute to cutting production costs, which would help to achieve self-sufficiency or even surplus quantity for exports.

Kumar & Bansal (2013) [4] in their publication on "Growth of Indian Cement Industries, An Analysis" measured the quick rise in cement demand due to the overall expansion of the economy and had determined that the cement sector was ready for an expansion in installing capacity with strong growth in both present and the future.

Vaijayanthimala & Vijayakumar (2014) [10] through their article on "Analysis of Operating Performance of Indian Cement Industry" investigated the trends of production, capacity utilisation, sales and market Share of selected companies of the Indian cement industry. The operating performance of the Indian cement industry had been examined using time series analysis of output and the application of chi square.

Sanjay J Bhayani (2020) [12] in the article on "Determinants of Probability in Indian Cement Industry: An Economic Analysis", had taken into account the size of the organisations, liquidity management, growth of organisations, components of cost and inflation rate for measuring the profitability and assessing the efficiency of the organisations. They had used backward regression analysis on the variables of the study.

They had concluded that the liquidity, age of the firm, operating profit ratio, interest rate and inflation rate had played a significant role in the determination of the profitability of the Indian cement industry.

Johannes H. Potgieter (2012) [9] in the research paper on "An overview of cement production: How green and Sustainable is the Industry" Management clarified and answered the question whether the Cement Industry could Achieve Sustainable Development in the 21st Century". To achieve sustainable development the cement companies according to her should be green and environment friendly. She had concluded that the cement industry with its new modernized technology equipment's and concepts could contribute substantially for the sustainable and environmentally friendly development.

History and Development of Cement Industry

Though the first Indian cement factory was setup in Porbandar Gujarat in 1904, yet the credit goes to South Indian industries Ltd. Madras now Chennai for pioneering the production of Cement in India in the same year. Between the year 1912 to 1913 three cement factories were setup in Porbandar Gujarat, Katni Madhya Pradesh and Bundi Rajasthan. The south India industries Ltd., a small factory rolled out first in the market which was manufactured on the lines of the type developed by British Standard Committee known as "Artificial Portland Cement". The company made publicly in the big cities of India including Karachi and Madras (Chennai). The venture was financially successful by profit standards. Some incidental reasons such as an expansion of domestic demand, decrease in supply from abroad (caused by war), raw material, cheap labour etc. made it a prominent sector in India in a short period of time. In 1926, the manufacturers set up an association known as Indian Cement Producers Association, with the aim of protecting their interests, keeping an eye on the production and sales, visa-vis profits. In 1936, 10 major cement companies came together to form Associated Cement Companies Limited (ACC). It was a merger of 10 companies which is regarded as first major merger even at a time when the term mergers and acquisitions did not come into being. This combination was challenged by cement factories of Dalmia group having an installed capacity up to 5.7 lakh tonnes per year.

Significance of the study

Financial Inclusion Contributes to increase in consumption and savings and helps to channelize those savings to productive purpose. These savings are an important contributes to economic development. That the government has seen fit to take up this large a project and implement this project within a timeframe of the two years highlights the significance of the project and the priority which is given to it by the government.

Objectives of the Study

- To analyse the financial performance of cement industries.
- To study the effectiveness of financial position of the India Cements, UltraTech Cement, Ramco Cements means of ratio analysis.
- To evaluate the profitability of the cement industry.
- To examine the challenges faced by the cement industry in India.

Statement of Problem

Finance is the view as a back bone to accelerating economic development of any country. In our present day, economic finance is the provision of money at the time when it is required. ϖ Presently a firm communicated financial information to the users through financial statements and reports. Financial statement compares two statements namely balance sheet and profit and loss a/c. ϖ Being the present status, it quits possible for the company improves its profitability as well as liquidity considerable without employing, further resources and just be run the existing financial information system.

Scope of the Study

Study aims to analyse the liquidity, profitability, solvency position of the company and efficiency which it converts its resources into service. The study aims to find out the ratios between the services and net profit of the company. Liquidity ratio like current ratio, quick ratio etc are prepared to analyse the financial performance of the company. Profitability of the company is found out using ratios like gross profit ratio, net profit ratio etc. The analysis of financial statements helped to judge the financial strength of the company. This study further gives valuable suggestions to the union to increase its performance by making a comparison with a company in the same industry. The study will help the company to know whether the performance creates value there by looking for the opportunities to increase the investment.

Research Methodology

Research is a process of systematic inquiry that entails collection of data; documentation of critical information; and analysis and interpretation of that data or information,

in accordance with suitable methodologies set by specific professional fields and academic disciplines. The data required for the study has been collected from secondary source. The relevant information was taken from annual reports, journals and internet.
The present study is deal with Quantitative Research. Quantitative research is the process of collecting and analysing numerical data. It can be used to find patterns and averages, make predictions, test casual relationships, and generalize results to wider populations.

Size of Sample
Three Cement Companies
1. Ultra Tech Cement Ltd
2. The Ramco Cements Ltd
3. India Cement Ltd

Time Period
The present study was made for a period of 5 accounting years from 2016 to 2020.

Limitations of the Study
Although the research is useful to industry and academics, it is not free from certain limitations. Some limitations are as follows;
- The reliability of the data depends on the accuracy of data collected.
- The present study is based on the published secondary data; hence the limitations of the published financial statement limitations may be applicable to the study as well.
- The period considered for the study is only last five year's financial statement. So, it is not possible to find out the life time performance of the company.
- Most of the information is collected from the financial statements.

So, the limitations of the financial statements may affect the study. Non-monetary factors like human behaviour, their relationship extra are not considered.

Challenges Related to Cement Industry in India
The traditional cement industry has undergone a number of changes since the industrial advancement. The cement industry in India has come to its present stage with such a systematic and gradual advancement that it cannot be witnessed in terms of a revolution like situation. There are several challenges faced in current scenario of cement industry:

Decreasing CO_2 emissions: High levels of CO_2 emissions are related to the cement manufacturing process. In compliance to global understanding in this regard the cement companies of India have started deliberations. The most important step must be taken is to switch to the carbon-neutral model. "An example of the Spanish cement industry's roadmap is to be considered seriously which involves five inter-related industries clinker, concrete, cement, re-carbonation and construction has made an aim to become climate neutral by 2050". Hydrogen, electrification, and the utilisation of biomass fuels can minimise this problem to a great extent.

Clean energy usage in logistics: This is the most discussed and relevant challenge which is encountered in the industrial arena, world over. For cement industries sustainable alternatives are to be adopted for inland transportation which will help in achieving the goal of reducing carbon emissions. Internal neutral transportation that are powered by electricity or hydrogen are a good alternative which will help not only the cement but other industries also. Beyond production, the objective is to reduce non-fossil fuel usage.

Traceability and use of digital identity: When cement is used as a by-product, so it has no longer its original form. The ability to recognise cement's digital identification must be improved in order to assurance the product's traceability as well as its environmental performance and freight. This makes it possible for adequate, agent-free and at the time tracking at any point in the chain.

Production automation and digitalization of product: The transformation to smart cement manufacturing industry was brought up by "Siemens and the Association of Cement Manufacturers of Spain". The use of sensors, remote diagnostics, and big data analysis including artificial intelligence analysis of unstructured data like images and videos, virtual facilities, and advanced control systems, all will contribute to increase in production fulfilling the norms of global emission requirements. This enables system optimization and higher production efficiency benefits.

Enhanced information security: Artificial intelligence is being used in remote-operated facilities and digitised production, which leads to greater system vulnerability and exposes the business to online threats, enhanced data security standards and procedures will be needed **Real-time**

connectivity and information: Connectivity and information and that is also according to real time basis is very important challenge faced specifically by cement industry. Cement manufacturers should have a real-time link with suppliers, inputs and services, used in manufacturing process in such a manner that they promptly fulfil the requirements.

Findings of the Study
Based on the secondary data analysis the findings of the study are presented below: -
Ultra Tech Cement Ltd has the highest EPS ratio of 658.71 in the year 2019 during the five years. Higher EPS ratio is always good because higher the EPS the more money of shares of stock will be worth because investors are willing to pay for more higher profits. So, it has good EPS in the year 2020. In the year 2018 the EPS ratio is 189.02% which is moderate, it is also a good EPS ratio. India cement is having the negative EPS ratio of -1.15, which is not good for the company.
Ultra Tech Cement has the highest operating profit of 31.41 in the year 2019 during the five years. When operating margin is high, it means that the amount of operating profit generated on each dollar of revenue is high. In the year 2017 the operating margin is 17.69% so the company has low profitability. India Cement Ltd has the low operating margin of 9.78 in the year 2020 which bad for the company.
Ultra Tech Cement Ltd has the highest net profit margin of 18.36 in the year of 2019 during the five years. High net profit indicates that the company is more efficient at

converting sale into actual profit. India Cement is having the negative net profit margin of -0.7 in the year 2018 which is not good for the company. Ramco Cement Ltd has the highest gross profit margin of 22.63% in the year of 2019 during the five years. High gross profit margin indicates that the company is successfully producing profit over and above its costs.

India Cement Ltd has the lowest gross profit margin of 5.12 % and so the company has low profitability. Ultra Tech Cement Ltd has the highest current ratio of 1.83% in the year 2017 during the five years. High dividend pay-out ratio indicates that the company is having high. In the year 2019 Ramco Cement Industries ltd has the poor current ratio of 0.7% so the company has the poor profitability.

Ultra Tech Cement Ltd has the highest quick ratio of 1.5% in the year 2018 during the five years. High inventory turnover indicates that a company has effective inventory control methods in place, as well as strong sales procedures. Also, in the year of 2016 the Ramco Cement is having the lowest value of 0.43% which means the company is having the lowest profit.

From this study, it shows that in 2016 the Ultra Tech Cement Ltd has the highest inventory turnover ratio of 9.93% during the five years. inventory turnover ratio is used to test the efficiency in inventory management. Ultra Tech Cement Ltd has the lowest inventory turnover ratio of 0.52% in the year 2018 so the company has low profitability.

Conclusion

The study initially has considered the stock price and then based on the data, has successfully applied fundamental tools like ratio analysis to determined that the health of a company based on the past data. The project has determined that the investment is surely dependent on the past performance of the company, the external factors and obviously the price of the stock. The results vary for different models and on different models and on different perspectives of people.

The companies selected for the study shows that the industry is somewhat doing well as far as various ratios are concerned. It is notable that Ultratech Cement, Ramco Cement are the top performer of the industry. Ultratech Cement is the star performer in this group of companies under this study and Ramco Cement ranked second in the course of performance.

Suggestions

Investors can invest in Ultra Tech Cement Ltd because it has higher earnings per share ratio when compare to all other cement companies. The Ramco Cement Ltd also has another option to invest because its fundamental analysis better compare to other cement companies. It is notable that Ultratech cement, India cement are the top performer of the industry as their EPS ratio are high compared to others. The Ramco Cement Ltd cement has good fixed asset turnover ratio in past three years due to that we can make much investment in that share. India cement is not performing well because its EPS ratio, Operating Margin is very less when compared to that of all other companies, hence we cannot invest in those companies.

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