

A STUDY ON LIQUIDITY AND PROFITABILITY OF CEMENT CORPORATION OF INDIA (CCI) LIMITED

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ABSTRACT

Cement industry play very significant role in indian economy. It facilitates the basic infrastructure facility for the development of the country. Indian cement industry is the second largest industry throughout the globe only after china. The present study is an attempt to evaluate the financial performance of cement industry of india with special reference to cement corporation of india limited (cci). The financial performance will have been evaluated through the financial ratios. Liquidity position of the company will be checked through short term solvency ratios while earning performance have been evaluated with the help of profitability ratios. Other financial and statistical tools and techniques have also been applied in order to check the overall financial position of the company.

Keywords: *Financial Performance, Profitability, Liquidity, Cement, Financial ratios*

Introduction

India's cement industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. Ever since it was deregulated in 1982, the indian cement industry has attracted huge investments, from both indian and foreign investors, making it the second largest in the world. The industry is currently in a turnaround phase, trying to achieve global standards in production, safety, and energy-efficiency.

India has a lot of potential for development in the infrastructure and construction sector and the cement sector is expected to largely benefit from it. Some of the recent major government initiatives such as development of 100 smart cities are expected to provide a major boost to the sector.

Expecting such developments in the country and aided by suitable government foreign policies, several foreign players such as lafarge, holcim and vicat have invested in the country in the recent past. A significant factor which aids the growth of this sector is the ready availability of the raw materials for making cement, such as limestone and coal.

Market size

The cement market in india is expected to grow at a compound annual growth rate (cagr) of 8.96 percent during the period 2014-2019.

In india, the housing sector is the biggest demand driver of cement, accounting for about 67 per cent of the total consumption. The other major consumers of cement include infrastructure at 13 per cent, commercial construction at 11 per cent and industrial construction at nine per cent.

To meet the rise in demand, cement companies are expected to add 56 million tonnes (mt) capacity over the next three years. The cement capacity in india may register a growth of eight per cent by next year end to 395 mt from the current level of 366 mt. It may increase further to 421 mt by the end of 2017. The country's per capita consumption stands at around 190 kg.

A total of 188 large cement plants together account for 97 per cent of the total installed capacity in the country, while 365 small plants account for the rest. Of these large cement plants, 77 are located in the states of andhra pradesh, rajasthan and tamil nadu. The indian cement industry is dominated by a few companies. The top 20 cement companies account for almost 70 per cent of the total cement production of the country.

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 1962 and 1966 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 musulmov (2005) 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 (2010) 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 (2010) employed two performance measures, including ratio of profit before interest, tax and depreciation to total assets and ratio of cash flows 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 (2012) 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.

Investments

On the back of growing demands, due to increased construction and infrastructural activities, the cement sector in india has seen many investments and developments in recent times.

According to data released by the department of industrial policy and promotion (dipp), cement and gypsum products attracted foreign direct investment (fdi) worth us\$ 3,084.89 million between april 2000 and december 2014.

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

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

The present study is devoted to the evaluation of financial performance of indian cement industry with special reference to cement corporation of india (cci) limited from 2013-14 to 2017-18. The researcher used accounting ratios in order to measure the financial performance of cement corporation of india limited. Liquidity, profitability and solvency position has been analyzed in this study. From the analysis it has been cleared that the short term solvency position of the company is not satisfactory during the period under study. The company did not earn adequate profit during the study period as its net profit shows very low trends. The solvency position of the company shows a negative trend due to negative reserve and surplus figures during the study period. Interest coverage ratio indicated that the company is able to meet interest expenses through its profit. From the analysis it is cleared that the sales has not significant impact on net liquidity position, profitability and solvency position of cement corporation of india. The company did not able to pay its obligations within time during the early period of the study. The company earns satisfactory profit in first two years but it decreased in rest of the study period.

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