

A Study on Profitability and Liquidity Analysis of Selected Cement Manufacturing Companies in Gujarat

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Abstract Profitability means, "The ability of a given instrument to earn a return from its use". Profitability is the prime motive of all business ventures. In the long run, business can't be run by management without profitability. Profitability measures efficiency of the company and is the main base for liquidity and solvency. Liquidity is a powerful tool to determine the financial health of a business, future investment and ensures that a firm always has reliable cash supply to meet their current requirements. The liquidity is required for the continuous existence of the firm.

This paper is aimed to analyze the profitability and liquidity of selected manufacturing companies of Gujarat from the year 2009-10 to 2016-17. Eight cement industries having manufacturing plant in Gujarat are taken as sample. Statistical tools like Arithmetic Mean, Standard Deviation, Co-efficient of Variation, Analysis of Variance are used for analysis. Moreover, three ratios namely net profit ratio, return on assets ratio and return on capital employed are calculated to measure profitability and current ratio and liquid ratio are calculated to measure liquidity. Analysis of data is presented through graphs and tables. Findings are summarized on the basis of various ratios.

Key words: Cement industry, Profitability analysis, Liquidity analysis, Return on assets, Return on capital employed.

I. INTRODUCTION

Cement plays a crucial role in the building operations. Every human activity involves construction work. Extent of construction activities work as a base for the industrial development and progress of the nation which are mainly dependent on consumption of cement. The cement industry plays an important place for providing an infrastructure and in building the industrial base of a country. In financial management it is very difficult to accomplish required trade off among liquidity, solvency and profitability position of the firm. The objectives of investor's are strongly based on the profitability and financial performance of the company. For performance evaluation of any company financial ratio analysis is one of the best tools as it helps a finance manager to assess the health of a firm, compare and improve the current position which is necessary for surviving in the competitive world.

II. LITERATURE REVIEW

1) **Dametew & Ebinger (2017)** conducted a study on Performance analysis of manufacturing industries for systematic improvement. The main objective of the study was to investigate and evaluate the performance of manufacturing industries so as to know performance gaps. Eighty-six metal companies were selected as a sample size for a period of five years from 2010-11 to 2015-16. Descriptive analysis was done on the basis of secondary data from industrial survey and literature review of previous research works and investigation. Variables like raw material, production capacity, innovation and technological capability were studied with the techniques of SPSC tools and ratio analysis. According to result, high cost of internal market, outdated technology, system are the main constraints of the sectors that reduce the performance and competitiveness of the sectors. On the basis of findings of this study, several useful managerial insights and implications for the improvement of metal sectors are found.

Medvecke Kubinec (2017) in their study of Planning & performance evaluation of manufacturing organizations examined secondary data of sample companies on the basis of financial statements and internal records. The main objective of the study was to find out weakness that degrade results of financial performance. The research design adopted was conclusive descriptive). Techniques like correlation, regression, EVA, MVA, CVA were used to study internal and external environment.

Tandel (2015) conducted a study on Analysis of financial performance of plastic manufacturing industries of Gujarat. The main objective of the study was to analyze and evaluate financial performance of selected plastic manufacturing companies. Comparative analysis was done of 15 sample companies for the period of ten years from 2001 to 2010. Secondary data was studied from the data sources like



annual reports of company, CMIE, Annual survey of Gujarat State Plastic Manufacturing Association. Techniques like composite ratio using weighted mean and ANOVA were applied on variables paid up capital, current assets, current liabilities of companies under different size and age group. As a result, it was found that overall picture of industry in terms of net profit margin ratio during the first half of the decade was steadily improving and was not stable during the second half as it was moving up and down every alternate year.

2) Adegbite et al. (2007) studied on Evaluation of the impact of entrepreneurial characteristics on the performance of small-scale manufacturing industries in Nigeria. Descriptive and inferential statistics research design was used with an objective same as the title. Primary data was collected by questionnaire. Sample size of hundred companies was selected by random sampling method. Contextual variable and business performance were tested by correlation and regression techniques in spss. It was concluded negative attributes exhibited by the respondents in the most of the PEC were critical factors in the dismal performance of the small-scale manufacturing industries.

3) **Muhammad & Rehman (2015)** worked on the topic Performance evaluation of textile industries in Bangladesh: An empirical study with objectives to highlight the financial position, to examine financial performance and to identify problems and give measures for improvement in textile industries of Bangladesh. Primary data was collected through questionnaire and secondary was by annual reports and websites. Ten sample companies were studied for the period of five years from 2009 to 2014. Trend equations and co efficient of determination techniques were applied. As a result, it was revealed that textile industry in Bangladesh was facing two major problems during the study period one is huge tax rate and the other is inadequate training facility.

4) **Gu et al. (2016)** studied on performance evaluation for composites based on recycled polypropylene using principal component analysis and cluster analysis. The main objective was to evaluate the performance of plastic composites based on multiple properties. With the experimental research design plastic composites were tested by PCA and CA techniques. The conclusion was both virgin and recycled plastics are improved by the addition of fillers.

5) **Vanitha** (2017) examined Intensifying performance of Indian manufacturing industries with an objective to analyze the growth performance of Indian manufacturing industries from 1991-92 to 2013-14. Economic survey was done for the purpose. With the technique of growth model variables like manufacturing construction, electricity, gas & water supply and GDP were evaluated. Findings from the research was that analysis of growth performance of manufacturing

industries, growth rate of secondary sector during intensive liberalization period was higher.

6) **Vanishree (2011)** examined performance evaluation of Indian Textile Industries. The main objective was to evaluate performance of Indian textile industry. Descriptive research design was used. Secondary data from USDA office of global analysis was studied for the period of five years 2005-06 to 2009-10. By analyzing world cotton production, consumption, area and yield of cotton it was found that it is necessary to identify and highlight the key strengths, the available resources and large growing domestic market through focused marketing efforts.

7) Kariithi & Kihara (2017) in their study Factors affecting performance of manufacturing firms in Kenya: A case of pharmaceutical firms in Nairobi country. The main objective was to study how research constraints and ICT effects on the manufacturing performance of Kenya. The conclusive research was done on the primary data through questionnaire. 252 sample companies were studied and SPSS technique was applied on necessary variables. The result was ICT positively and significantly affected performance of pharmaceutical manufacturing industries in Kenya.

8)Gupta (2017) worked on a study on 'Performance Evaluation of Select Textile Companies an Empirical Analysis'. The aim was to measure and compare the performance of selected textile companies in India during last five years. From research papers, reports published by IBEF and annual reports secondary data was collected and analyzed. Sample size of seven companies was taken from 2011-12 to 2015-16. Different variables were tested for profitability, solvency and liquidity analysis. Various statistical tools, ratio analysis and ANOVA techniques were applied. It was concluded that there is a significant difference in the performance of all selected companies in textile industry in terms of their liquidity, solvency and managerial efficiency.

III. IMPORTANCE OF THE STUDY

The Indian cement industry is the second largest industry in the world after China accounting for about 8 per cent of the total global production. It provides employment to more than million people, directly or indirectly. The Role of Cement Industry in GDP of India is vital in the economic development of the country and has a direct co-relation of 1.1 to 1.2 with GDP.

IV. OBJECTIVES OF THE STUDY

The following are the main objectives of the study.

1. To study the profitability position of the selected cement companies in Gujarat.



2. To measure the liquidity position of the selected cement companies in Gujarat.

V. RESEARCH METHODOLOGY

5.1 Sources of Data

The data used for the present study is secondary data. The required data for the sample companies were collected from the annual reports for the period of eight years from 2009-10 to 2016-17.

5.2 Sampling Design

The present study is related to the cement industry. Judgmental sampling technique is used in this research to select the sample companies. From state-wise cement plants listed in Cement Information System (CIS) by Department for Promotion of Industry & Internal Trade (DPIIT) under the Government of India, Ministry of commerce and industry, the companies that are having cement manufacturing plants in Gujarat are selected as a sample.

5.2 Framework of Analysis

To analyze the financial performance of the selected cement companies in Gujarat, the following tools and model have been applied.

- 1. Statistical tools
 - Arithmetic Mean
 - Standard Deviation
 - •Co-efficient of Variation
 - Analysis of Variance
- 2. Ratio Analysis

VI. HYPOTHESIS OF THE STUDY

To fulfil the above objectives, the following hypothesis have been formulated and tested.

- ➤ There is no significant difference in the mean profitability ratios of the sample companies.
- > There is no significant difference in the mean liquidity ratios of the sample companies.

VII. PROFILE OF SELECETED CEMENT COMPANIES

The following eight cement companies are selected in the present study which have cement manufacturing plants in Gujarat.

Sr.no.	Name of company	Symbol
1	Ambuja Cements Ltd.	ACL
2	Shree Digvijay Cement Co. Ltd.	DCL
3	Gujarat Sidhee Cement Ltd.	GSCL
4	Saurashtra Cement Ltd.	SCL
5	Sanghi Industries Ltd.	SIL
6	UltraTech Cement Ltd.	UTCL
7	JK Lakshmi Cement Ltd.	JKLC
8	Tata Chemicals Ltd.	TCL

VIII. DATA ANALYSIS AND INTERPRETATION

8.1 Profitability Analysis

The profitability of a firm can be measured by its profitability ratios. Profitability ratios are a class of financial metrics that are used to assess an ability of business to generate earnings relative to its revenue, operating costs, balance sheet assets and shareholder's equity using data from a specific point in time. Higher ratio results are often more favorable.

8.1.1 Net Profit Ratio

Net profit ratio is also known as net profit margin. It measures the relationship between net profits and sales of a firm. It is the percentage of revenue left after all the expenses. A high net profit ratio enables the firm to survive in the adverse economic conditions and ensure adequate return to the owners. The formula for this ratio is as under-

Profit after tax

Net profit Ratio = ----- X 100

Net Sales



TABLE – 8.1.1 NET PROFIT RATIO (Values in percentage)

Yr./co.	ACL	DCL	GSCL	SCL	SIL	UTCL	JKLC	TCL	IND.AV
2010	17.1	0.34	8.87	3.5	13.38	16	16.18	8	10.42
2011	14.45	2.83	(0.86)	(14.64)	(3.29)	11	4.47	6.56	2.56
2012	13.4	10.76	1.26	(0.04)	8.41	13	6.33	7.34	7.51
2013	14.26	(10.7)	9.04	34.2	4.63	13	8.55	7.54	10.06
2014	15.09	0.88	(0.66)	3.89	4.74	9	4.52	5.02	5.31
2015	8.62	-	0.93	12.01	3.29	9	4.14	6.33	6.33
2016	10.22	1.10	(1.54)	8.26	0.18	10	0.24	5.58	4.25
2017	12.2	(4.44)	(8.92)	2.03	5.75	11	2.52	8.66	3.6
Mean	13.17	0.11	1.02	6.15	4.64	11.5	5.87	6.88	6.25
S.D.	2.73	6.58	5.83	13.76	5.02	2.39	4.83	1.23	2.9
C.v.	20.73	5981	572	224	108	20.78	82.28	17.88	46.4
Min.	8.62	(10.7)	(8.92)	(14.64)	(3.29)	9	0.24	5.02	2.56
Max.	17.1	10.76	9.04	34.2	13.38	16	16.18	8.66	10.42

*Source: computed from secondary data



Table 8.1.1 reveals that the mean net profit ratio is 6.25%. Ambuja Cement Ltd. at 13.17 % had the highest score, which is more than double the industry average. Thus, it can be inferred that ACL enjoyed the highest net profit which ensures adequate return to owners. DCL, at only about 2% of the industry average, suffered with the lowest net profit among the sample companies studied.

From the coefficient of variation scores, it can be seen that TCL had a highly stable net profit margin. DCL on the other hand, suffered the most volatile profit, during the study period.

ANOVA- NET PROFIT RATIO

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1111.681	7	158.812	3.855	.002
Within Groups	2265.774	55	41.196		
Total	3377.455	62			

*Significant at 5% level

Ho: There is no significant difference in the mean net profit ratio among the sample companies during the study period.

H1: There is significant difference in the net profit ratio among the sample companies during the study period.

To test the significance of variance of the ratio of Net Profit among the sample companies under the study, the 'ANOVA' test has been applied. Table 8.1.1(a) shows that the calculated p value 0.002 is significant at 5% level, thus the null hypothesis is rejected. Therefore, Net Profit ratio varies significantly amongst the sample companies

8.1.2 Return on Assets

Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives an idea about efficiency of company's management is at using its assets to generate earnings. The higher the ROA, the better, because the company is earning more money on less investment. Formula for this ratio is as under

Net income

Return on Assets = ----- x 100

Total Assets

TABLE 8.1.2 RETURN ON ASSETS (Values in percentage)

Yr./Co.	ACL	DCL	GSCL	SCL	SIL	UTCL	JKLC	TCL	IND.AV
2010	16.8	0.43	30.15		5 .10	16.18	13.38	5.77	12.54
2011	12.63	3.61	(1.59)	(11.9)	(1.6)	11.91 Jac	2.64	5.34	2.63
2012	10.87	13.24	2.42	(4.07)	4.22	12.39	4.17	6.26	6.2
2013	10.25	(10.9)	15.64	41.26	2.39	10.55	5.93	5.86	10.12
2014	11.14	1.07	(0.9)	4.86	2.73	7.5	2.77	3.93	4.14
2015	5.76	-	(1.43)	16.51 _{arch} in	1.74 Engineering P	6.2	2.48	5.55	5.26
2016	4.97	1.35	(2.32)	10.67	0.08	6.45	0.15	5.08	3.3
2017	5.21	(3.68)	(11.8)	2.23	3.24	6.78	1.87	4.58	8.43
Mean	9.7	0.73	3.77	8.51	2.24	9.74	4.17	5.3	6.58
S.D.	4.15	7.3	13.07	17.17	2.17	3.61	4.08	0.75	3.5
C.V.	42.78	1000	346.68	201.76	96.88	37.06	97.84	14.15	53.19
Min.	4.97	(10.9)	(11.8)	(11.9)	(1.6)	6.2	0.15	3.93	2.63
Max.	16.8	13.24	30.15	41.26	5.1	16.18	13.38	6.26	12.54

*Source: computed from secondary data



COMPARISON OF MEAN ROA OF FIRMS AND INDUSTRY 10 9 8 7 6 ROA 5 4 3 2 1 0 UTCL IKLC ACI DCI GSCI SII TCI SCL FIRMS company Industry

Table 8.1.2 indicates that the mean return on assets is 6.58. UltraTech Cement at 9.74% had the highest score which is almost 48% more than the industry average. Hence, it can be concluded that UTCL had the highest return on assets and earned a satisfactory return. DCL at just 11% of industry average, suffered with low return on assets among the sample companies studied.

From the coefficient of variation scores, it can be said that Tata Chemicals Ltd. had highly stable return on assets having favorable performance over the study period. DCL on the other hand, suffered the most volatile returns and proves inconsistent during the study period.

Table 8.1.2(a)

	NOVA-RETURN ON ASSETS									
	Sum of Squares	Df	Mean Square	F	Sig.					
Between Groups	631.376	7	90.197	1.334	.252					
Within Groups	3649.927	54	67.591							
Total	4281.303	61								

*significant at 5% level

Ho: There is no significant difference in the mean ratio of return on assets among the sample companies during the study period.

H1: There is a significant difference in the mean ratio of return on assets among the sample companies during the study period.

To test the significance of variance of the ratio of return on assets among the sample companies under the study, the 'ANOVA' test has been applied. Table 8.1.2(a) shows that the calculated p value 0.25 is significant at 5% level, thus the null hypothesis is rejected. Therefore, return on assets varies significantly amongst the sample companies.

8.1.3 Return on Capital Employed

Return on capital employed (ROCE) is a financial ratio that measures profitability and the efficiency of a company with which it used its capital. In other words, the ratio measures how well profits are generated from its capital by a company. ROCE is a long-term profitability ratio which provides enough insight into how effectively the long term funds of owners and creditors are used by a company. The formula for this ratio is as under-

Earnings Before Interest & tax (EBIT)

Return on Capital Employed = -----X100

Capital Employed



TABLE – 8.1.3 RETURN ON CAPITAL EMPLOYED

(Values in percentage)

Yr./Co.	ACL	DCL	GSCL	SCL	SIL	UTCL	JKLC	TCL	IND.AV
2010	30	1.05	57.43	16.31	5.53	25	17.4	10.48	20.4
2011	21	4.59	(2.84)	(0.06)	3.12	16	6.39	9.48	7.21
2012	22	20.22	11.27	30.66	6.06	20	9.9	12.8	16.61
2013	16	(16.6)	36.02	89.2	3.98	20	12.67	15	22
2014	18	4.95	1.92	16.55	3.63	13	6.77	9.56	9.3
2015	12	-	(1.52)	36.25	4.42	12	6.78	12.77	11.81
2016	8	8.12	(1.39)	25.69	1.96	12	5.23	12.19	8.98
2017	8	(2.39)	(19.49)	6.27	7.37	13	7.96	8.9	3.7
Mean	16.87	2.85	10.18	27.61	4.51	16.38	9.14	11.4	12.5
S.D.	7.55	11.15	24.75	27.65	1.74	4.81	4.08	2.12	6.53
C.V.	44.75	391	243	100	38.58	29.36	44.64	18.6	52.24
Min.	8	(16.6)	(19.49)	(0.06)	1.96	12	5.23	8.9	3.7
Max.	30	20.22	57.43	89.2	7.37	25	17.4	15	22

*Source: computed from secondary data





Table 8.1.3 reveals that the mean return on capital employed ratio is 12.5. Saurashtra Cement Ltd. at 27.61% had the highest score, which is more than double the industry average. So, it can be inferred that SCL, had the highest return on capital employed, where the firm had efficiently utilized its long term funds. DCL, at just 23% of industry average, suffered with low return on capital employed among the sample companies studied.

From the coefficient of variation scores, it can be said that TCL had a highly stable return on capital employed. DCL, on the other hand suffered the most volatile return and highly inconsistent, during the study period.

TABLE- 8.1.3(a)	
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|--|

-	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	3405.778	7	486.540	2.407	.032
Within Groups	11118.355	55	202.152		
Total	14524.134	62			

*Significant at 5% level

Ho: There is no significant difference in the mean ratio of return on capital employed among the sample companies during the study period.



H1: There is significant difference in the mean ratio of return on capital employed among the sample companies during the study period.

To test the significance of variance of the ratio of return on capital employed among the sample companies under the study, the 'ANOVA' test has been applied. Table 8.1.3(a) reveals that the calculated p value 0.032 is significant at 5% level, thus the null hypothesis is rejected. Therefore, return on capital employed ratio varies significantly amongst the sample companies.

8.2 Liquidity Analysis-

Liquidity ratios determine a company's ability to cover short-term obligations and cash flows, while solvency ratios are concerned with a long-term liability to pay ongoing debts. Liquidity is a powerful tool to determine the financial health of a business, future investment and ensures that a firm always has reliable cash supply to meet their current requirements. The liquidity is required for the continuous existence of the firm.

8.2.1 Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. The current ratio compares all of a company's assets to its current liabilities. It is sometimes referred to as the "working capital" ratio. A company with a current ratio less than one does not have the capital on hand to meet its short-term obligations, while a current ratio greater than one indicates the company has the financial resources to remain solvent in the short-term. The formula for current ratio is as under-

Current Assets

Current Ratio = -----

Current Liabilities

Yr./co.	ACL	DCL	GSCL	SCL	SIL	UTCL	JKLC	TCL	IND.AV
2010	1.31	1.49	1.38	0.48	1.57	1.13	1.87	1.45	1.34
2011	1.54	1.24	1.16	0.48	0.53	1.09	1.87	1.65	1.20
2012	1.82	1.91	1.19	0.25	0.66	1.04	1.44	1.17	1.19
2013	1.95	0.91	1.51	0.82	1.85	1.01	1	1.10	1.27
2014	1.91	0.80	1.11	0.69	1.78	1.11	0.97	1.32	1.21
2015	2.03	-	1.13	0.91	0.87	1.04	0.70	1.34	1.15
2016	1.23	0.84	1 41	1.1	1.36	0.90	0.66	1.34	1.05
2017	1.33	0.67	0.73	1.14	1.13	0.85	0.86	1.74	1.06
Mean	1.64	1.12	1.15	0.73earch i	1.22 Engineerin	1.02	1.17	1.4	1.18
S.D.	0.32	0.45	0.23	0.32	0.5	0.1	0.49	0.22	0.1
C.V.	19.51	40.18	20	43.84	40.98	9.8	41.88	15.71	8.47
Min.	1.23	0.67	0.73	0.25	0.53	0.85	0.66	1.1	1.05
Max.	2.03	1.91	1.51	1.14	1.85	1.13	1.87	1.74	1.34

TABLE- 8.2.1 CURRENT RATIO

*Source: computed from secondary data

Graph - 8.2.1

Table 8.2.1 reveals that the mean current ratio is 1.18, which confirms the strong liquidity position of the selected cement companies. Ambuja Cement Ltd., at 1.64 had the highest current ratio, shows the company is able to meet its current obligations in time. SCL, at 40% less than the industry average, indicates the poor liquidity position of the firm and not able to meet its current obligations on time among the sample companies.

From the coefficient of variation scores, it can be said that UTCL had a highly stable current ratio, which indicates reliability in liquidity management. SCL, on the other hand, suffered the most volatile current ratio, shows less reliability in liquidity management during the study period.



ANOVA-CURRENT RATIO

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	3.878	7	.554	4.413	.001
Within Groups	6.904	55	.126		
Total	10.782	62			
		a: :	1 1		

*Significant at 5% level

Ho: there is no significant difference in the mean current ratio among the sample companies during the study period.

H1: There is a significant difference in the mean current ratio among the sample companies during the study period.

To test the significance of variance of current ratio among the sample companies under the study, the 'ANOVA' test has been applied. Table 8.2.1(a) indicates that the calculated p value 0.001 is significant at 5% level, hence null hypothesis is rejected. Therefore, the current ratio varies significantly amongst the sample companies.

8.2.2 Liquid Ratio

Liquid ratio defines the relationship between quick assets and current liabilities. This ratio is also called as 'acid test ratio' or 'quick ratio', which is more specific test of liquidity than current ratio, as it measures the ability of firm to service short term liabilities. The assets which can be easily converted into cash immediately or a short notice without diminution of value is known as quick assets. Inventory stocks are normally deducted from current assets since they are considered to be less liquid and they require more time to turn into cash. The formula for liquid ratio is as under-

Liquid Assets

Liquid Ratio = -----

Current Liabilities

TABLE-8.2.2

LIQUID RATIO

Yr./co.	ACL	DCL	GSCL	SCL	SIL	UTCL	JKLC	TCL	IND.AV
2010	0.93	0.3	0.86	0.32	1.05	0.5	1.66	1.04	0.83
2011	1.21	0.65	0.67	0.26	0.14	0.52	1.6	1.22	0.78
2012	1.48	0.87	0.67	0.10	0.13	1.04	1.22	0.8	0.79
2013	1.62	0.42	0.93	0.39	0.79	-0.88	0.82	0.88	0.84
2014	1.63	0.42	0.63	0.39	1.04	1.16	0.83	1.08	0.90
2015	1.75	-	0.63	0.39 0.39 0.1	n E0.5ineeting	0.59	0.51	0.86	0.75
2016	0.95	0.38	0.51	0.72	0.89	0.66	0.46	1.03	0.70
2017	1.08	0.24	0.36	0.71	0.59	1.27	0.64	1.5	0.80
Mean	1.33	0.47	0.66	0.41	0.64	0.83	0.97	1.05	0.80
S.D.	0.33	0.22	0.18	0.21	0.37	0.30	0.47	0.23	0.06
C.V.	24.81	46.81	27.27	51.22	57.81	36.14	48.45	21.9	7.5
Min.	0.93	0.24	0.36	0.10	0.13	0.50	0.46	0.80	0.70
Max.	1.75	0.87	0.93	0.72	1.05	1.27	1.66	1.5	0.90

*Source: computed from secondary data



Graph – 8.2.2



Table 8.2.2 reveals that the mean liquid ratio is 0.8. Ambuja Cement Ltd.at 1.33 had the highest score, which is almost 70% more than the industry average. Thus, it can be said that ACL, had the highest liquid ratio, implies satisfactory liquidity position of the firm. SCL at almost half the industry average, suffered with low liquidity position among the sample companies studied.

From the co efficient of variation scores, it can be said that TCL had a highly stable liquidity position and more consistency. SIL, on the other hand, suffered with most volatile and less consistency in the liquidity management, during the study period.

IX. FINDINGS

Profitability

- > Ambuja Cement Ltd. at 13.17% had the highest net profit ratio, which is more than double of the industry average. Thus, it can be revealed that ACL, enjoyed the highest net profit which ensures adequate return to the owners. DCL, at about only 2% of the industry average, suffered with the lowest net profit among the sample companies.
- > From the coefficient of variation scores, it can be revealed that Tata Chemicals Ltd. had a highly

TABLE - 8.2.2(a)

ANOVA- LIQUID RATIO

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	5.343	7	.763	8.252	.000
Within Groups	5.087	55	.092		
Total	10.430	62			

*Significant at 5% level

Ho: There is no significant difference in the mean liquid ratio among the sample companies during the study period.

H1: There is a significant difference in the mean liquid ratio

among the sample companies and a second provide the significance of variance of liquid ratio among the significance of variance of liquid ratio among the significance of variance of liquid ratio among the study, the 'ANOVA' test has been applied. Table 8.2.2(a) shows that the calculated p value 0.000 is significant at 5% level, thus the null hypothesis is rejected. Therefore, the liquid ratio varies significantly amongst the sample companies.

> stable net profit margin. DCL, on the other hand suffered the most unstable profit, during the study period.

➤ UltraTech Cement Ltd. at 9.74% had the highest Return on Assets, which is almost 48% more than the industry average. Hence, it can be inferred that UTCL earned a satisfactory return. DCL, at just 11% of the industry average, suffered with low



return on assets among the sample companies studied.

- From the coefficient of variation calculations, it can be concluded that Tata Chemicals Ltd. had highly stable return on assets having favorable performance over the study period. DCL, suffered the most volatile return on assets and has been inconsistent during the study period.
- Saurashtra Cement Ltd. at 27.61% had the highest return on capital employed, which is more than Liquidity
- Ambuja Cement Limited at 1.64, had the highest current ratio which shows that the company is able to meet its current obligation at a time. On the other hand, SCL at 40% less than the industry average reveals the poor liquidity position of the firm and not able to meet its current obligations on time.
- The coefficient of variation values reveals that UTCL had the highest stable current ratio, which indicates that shareholders can rely in liquidity management. SCL, on the other hand, suffered the most volatile current ratio which shows lack of reliability in liquidity management during the study period.

X. SUGGESTIONS

The study shows that profitability ratios of Shree Digvijay Cement Co. Ltd. are not satisfactory. Net Profit Ratio, Return on Assets Ratio and Return on Capital Employed of the company are least among the sample companies during the study period. So, it is suggested that if the firm wants to survive in the adverse economic situation it has to ensure adequate return to the owner. Management should concentrate more to use its assets and capital efficiently to generate profit.

XI. CONCLUSION

On the basis of critical evaluation of performance evaluation of sample companies, it is observed that the profitability and liquidity of sample companies were uneven. Some companies had satisfactory results whereas others need some necessary measures in some fields. As the cement industry is a flourishing industry and liberalized policy of government will help this sector to grow further.

Since India has large manufacturing expertise and knowhow, Major players with strong product range and essential built-up infrastructure will make the most of this upcoming opportunity. Financial performance analysis would facilitate the industry to move on the right direction. It is hoped that the present study would be an eye opener to the industry and other. double the industry average. So, it can be said that SCL, had efficiently utilized its long term funds. DCL, at just 23% of the industry average, suffered with low return on capital employed among the sample companies.

- From the coefficient of variation scores, it can be concluded that TCL had a highly stable return on capital employed. DCL, on the other hand suffered the highly inconsistent ROCE, during the study period.
- Ambuja Cement Ltd. at 1.33 had the highest liquid ratio, which is 70% more than the industry average. Hence, it can be inferred that ACL had the satisfactory liquidity position. SCL at almost half of the industry average, bears the low liquidity position among the sample companies studied.
- From the coefficient of variation scores, it can be said that TCL had the highly stable liquidity position and more consistency. On the other hand, SIL suffered with highly inconsistent liquidity management, during the study period.

Mean current ratio of Saurashtra Cement ltd. is less than one which is not favorable and indicates that the company does not have the capital on hand to meet its short term obligations so it is suggested that the company should maintain its working capital properly. As the mean liquid ratio of this company is also not good so it should take necessary measure about quick assets which can be immediately converted into cash, to maintain favorable liquidity.

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