

# **A STUDY ON PROFITABILITY OF SELECTED CEMENT COMPANIES IN INDIA**

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## ***Abstract***

*The Indian cement industry is second largest after China. The progress of cement industry is gradually affected to infrastructure development. A total capacity is 151.2 Million Tonnes (MT). Cement industry constitutes of 140 large and more than 365 mini cement plants. The cement industry plays a significant role in economic development. Cement is required raw material to any construction purpose as for building, road, bridges etc. This paper studies the profitability performance of selected cement companies. Study is based on secondary data collected from published annual reports covers a four years' period (2018 to 2021). The data have been analyzed by using important profitability ratios and some of the statistical tools.*

**Keywords:** Indian cement industry, cement companies, Profitability and ratio

## **INTRODUCTION**

The development of any country is largely influenced by the economic development of that country. The Indian economic sector is divided into three sectors specifically. Those are agriculture sector, industrial sector, and service sector. Each sector plays vital role in the development of our country. With taking the industrial sector infrastructural development is the backbone of any economy. Infrastructural developments only lead to the overall development of any nation. And cement industry is an integral part of the infrastructure industry as a whole wherein the cement industry provides the foundations in infrastructure development. The presence of strong cement industry only leads to the strong and reassuring creation of infrastructure which results into construction of roads, bridges and buildings etc. Cement is the most essential raw material in any kind of construction.

Indian Cement industry is the second largest cement producer in the world after China with a total capacity of 151.2 Million Tonnes (MT). Government of India has been giving immense boost to different projects of infrastructure, housing facilities and roadmaps. The cement industry in India is currently growing at an enviable pace. In coming years India expected more growth of cement industry. The first cement company set up by Indian cement Company limited in Porbandar, Gujarat with a capacity of 10000 tones and production 1000 in 1914.

The current cement production capacity was 545 million tones (MT) in FY22 of the total capacity 98% with public & private sector.

## **REVIEW OF LITERATURE**

(balakrishna, 2015) They evaluated the problem and prospect of cement industry in India. This research article was based on secondary data collected from annual report of cement industries and profile of the industries. Financial analysis is a powerful tool which helps in determining the problems in the operation and financial position of the industries. The company should enrich its performance for meeting challenges and exploiting chances in future and helps the management to take financial decisions. Based on the findings, suggestions are given by the researcher for better improvement of the cement industry in future. This study also finds out the extents where the industries can expand the position precision of its assets and funds.

(Yadav, 2027), In this Paper they Provides the profitability performance of 10 leading cement companies. They Observes Companies position in industry. The Study based on Secondary data which collected from the annual Reports. Profitability ratio was ranked from the selected performances of the companies with the help of statistical tools like Mean, SD SPSS 23 Software. To check performances they calculated Net Profit margin, Operating Profit margin, Profit before interest and tax, Earning per share, Returned on Capital employed, this study findings best alternative for the selected cement companies.

(Adlakha, 2021), The Study investigated the progress of Indian cement Industries. Two major Companies named ACC and Shree Cement limited. The Parameters are used Capital Employed, Capital Utilization, production, sales etc. The Period Use for the study is 2014-15 to 2018-19. Study Purely Based on the Secondary data.

## **OBJECTIVE OF THE STUDY**

- ◆ To study the profitability performance of selected companies.
- ◆ To compare the performance based on the profitability ratio.

- ◆ To understand the concept of financial analysis.

## RESEARCH METHODOLOGY

The present research study is based on secondary data which is collected from the reports of selected cement industries. The required data was collected from the websites, journals, and reports etc. Financial performances are analyzed with one of the technique of financial statement analysis i.e. the ratio analysis wherein the ratios related to the profitability have been analyzed. Even the statistical tools like mean and standard deviation (SD) have been taken into consideration for the better results.

### Companies Profile:

#### 1. ACC Cement:

In India ACC Cement Limited is leading player they have a fast-growing portfolio sustainable businesses. Established on 1 August 1936 at Mumbai, Maharashtra .N.S Sekhsaria(chairman) and Neeraj Akhoury(CEO) of the company. It is a subsidiary of Ambuja Cement and held by Adani Group. It's one of the largest cement producers in India. On 1 September 2006, the name of the Associated Cement Companies limited was changed to ACC limited. It is a super brand in india. The brand ACC has a hallmark of Quality and Durability in Cement to ready mixed Concept. In India ACC has a first launched Green Building Center to Support rural area and innovative Business concept to connect them. They produce OPC,PPC,PSC, white cement, water proof cement etc. in 2021 the raw material was higher 12% per tonne of cement vs 2020. They have a Business model that provides affordable and Green Building Materials. Current Growth of 4% and net sales increase of 7% Quarter ended on September.

#### 2. Ambuja Cement:

Ambuja cement limited is one of the leading cement industry in India. The Narotam sekhsaria and Suresh Neotia was founded in 1983. In 2007 Suresh Neotia ,Chairman of Ambuja was Awarded the prestigious Padma Bhusan in the same year The Company adopted Rural marketing model. The company has launched innovative products like Ambuja Plus, Ambuja Cool Walls, Ambuja Kawach and Ambuja Cement Compocem. A whole system was set up into cement market in Mumbai and all weather port was built at Muldwarka, Gujarat. Ambuja cement held by Adani Group. The first Indian Company which use the sea transport cement in bulk. It called as Gujarat Ambuja cement limited the later they became Ambuja cement limited. most reputed in the efficiency manufacture in world. it is most profitable and innovative cement companies in India. Swiss Cement giant lafargeHolcim holds 61.62% share in Ambuja cement. ACC is subsidiary of Ambuja Cement limited They became effective post merger of Ambuja cement and Holcim(India) Pvt Ltd (HPIL) in August this year. The Current Ambuja Cement Production capacity of 31 Million Tonnes with Six Integrated Cement Manufacturing Plants and Eight Cement Grinding units Across the Country. Consolidated revenue from operation stood Rs.28,965.46 crore in 2021.

#### 3. J K Cement:

J K Cement Is One of India's Leading Brands Of White Cement It Is Also Leading With Grey Cement and wall putty. Established in 1975 in Nimbahera Rajasthan with the capacity of 0.3 million ton per annum. An Affiliate of J K Organization which Founded by Lala Kamlapat Singhania. J K cement has Installed grey cement capacity of 14.7 Million tonnes per annum. The company uses best quality raw materials and highly skilled manpower against the backdrop of India's infrastructural growth. The company provides their cement into another companies. J K Cement holds highest market share in state of Hararyana. White Cement was Demands in Foreign Countries. Currently The Units has a capacity utilization of around 75% and Operating Profit of 30% consistency.

#### 4. Shree Cement:

Shree cement limited is one of India's top three cement producer in north India. Founded in Bewar, Rajasthan in 1979 Key People are Benu Gopal Bangur and Hari Mohan Bangur and it's a family business. Shree Cement Operate span across India and the UAE with 4 integrated plants in India, 1 in UAE and 9 Griding units. Highest installed Capacity of west heat recover power plants in the world,second only to China.In 2020 they awarded by ICC Corporate Governance & Sustainability Vision. Latest entrants in 'Roofon' and 'Bangur Power' which were born of an Extensive R&D Process. They produce OPC/PPC/PSC, Bag packing or loose cement in bulkers according the requirements. Their installed capacity is 43.4 million tonnes per annum in India and 47.4 including overseas. Shree Cement also installed power generation capacity of 752 mega watts. The company plans to increase their capacity at 12% compound annual growth rate to 80% million tonnes by FY26.

## DATA ANALYSIS

### 1. Operating profit margin:

Operating Profit margin shows the relationship between operating profits and net sales.

Operating Profit Ratio = (Operating Profit / Sales × 100)

**Table 1: Operating Profit Margin of Major Cement Companies**

OPERATING PROFIT MARGIN				
YEAR	ACC CEMENT	AMBUJA CEMENT	JK CEMENT	SHREE CEMENT
2018	13.81	13.81	16.56	27.55
2019	15.38	18.41	16.26	22.25
2020	17.06	23.27	21.62	29.21
2021	18.57	22.96	23.92	30.06
<b>Mean</b>	<b>16.21</b>	<b>19.61</b>	<b>19.59</b>	<b>27.27</b>
<b>Standard Deviation</b>	<b>2.06081699</b>	<b>4.460869684</b>	<b>3.792079465</b>	<b>3.503639774</b>

(Source: calculated on annual report of selected companies)

The above Table: 1 represents the data of Operating Profit Margin of selected cement companies from 2018 to 2021 with its Mean and Standard Deviation.

Mean value is summarized form of all the dataset representing for the study; normally it is center point of the data. In the given table the summarized value of all selected companies are to be found out and the maximum mean value is 27.27 of Shree Cement, which disclosed that the Operating Profit Margin of this company is more batter than the other companies. In simple words we can say that Shree Cement Company's Operative profit earning is more than the rest. Standard deviation is a statistical tool which expressing that how much the value is differs from its mean value.

If compared the mean of all selected companies along with its standard deviation, it is observed that the variation between the mean value and standard deviation of Shree Cement Company is lesser as compared to other companies. As a result, Shree Cement Company represents the good status of operating profit margin among all selected cement companies.

## 2. PBIT Margin:

PBIT Ratio is useful to compare multiple companies, helps to evaluate how a company has grown over time.

$PBIT\ Margin = (Operating\ Profit + Other\ Income) / Sales \times 100$

**Table 2: Profit before Interest and Tax of Major Cement Companies**

PROFIT BEFORE INTEREST AND TAX				
YEAR	ACC CEMENT	AMBUJA CEMENT	JK CEMENT	SHREE CEMENT
2018	9.67	11.45	12.17	18
2019	11.31	13.27	12.16	10.32
2020	12.27	18.09	17.42	14.84
2021	14.69	18.63	19.7	20
<b>Mean</b>	<b>11.99</b>	<b>15.36</b>	<b>15.36</b>	<b>15.79</b>
<b>Standard Deviation</b>	<b>2.10</b>	<b>3.55</b>	<b>3.81</b>	<b>4.22</b>

(Source: calculated on annual report of selected companies)

The above Table: 2 represent the data of Profit before Interest and Tax of selected cement companies from 2018 to 2021 with its Mean and Standard Deviation.

In the given table the summarized value of all selected companies are to be found out and the maximum mean value is 15.79 of Shree Cement, which disclosed that the Profit Before Interest and Tax of this company is more batter than the other companies. In simple words we can say that Shree Cement Company's Profit before Interest and Tax earning is more than the rest. If compared the mean of all selected companies along with its standard deviation, it is observed that the variation between the mean value and standard deviation of Ambuja cement Company is lesser as compared to other companies. As a result, Ambuja Cement Company represents the good status of Profit before Interest and Tax margin among all selected cement companies.

## 3. Net Profit Margin:

Net Profit Margin is measure how much net income or profit is generated as a percentage of revenue.

$Net\ Profit\ Ratio = (Net\ profit / Net\ Sales \times 100)$

**Table 3.Net Profit Ratio of Major Cement Companies**

NET PROFIT MARGIN				
YEAR	ACC CEMENT	AMBUJA CEMENT	JK CEMENT	SHREE CEMENT
2018	10.17	13.09	7.44	13.62
2019	8.67	13.1	6.52	8.01

2020	10.26	15.74	7.32	11.93
2021	11.27	14.89	9.52	16.96
<b>Mean</b>	<b>10.09</b>	<b>14.21</b>	<b>7.7</b>	<b>12.63</b>
<b>Standard Deviation</b>	<b>1.07</b>	<b>1.33</b>	<b>1.28</b>	<b>3.72</b>

(Source: calculated on annual report of selected companies)

The above Table:3 represents the data of Net Profit Margin of selected cement companies from 2018 to 2021 with its Mean and Standard Deviation. In the given table the summarized value of all selected companies are to be found out and the maximum mean value is 14.21 of Ambuja Cement, which disclosed that Net Profit Margin of this company is more batter than the other companies. In simple words we can say that Ambuja Cement Company's Net Profit Margin earning is more than the rest. If compared the mean of all selected companies along with its standard deviation, it is observed that the variation between the mean value and standard deviation of Ambuja cement Company is lesser as compared to other companies. As a result, Ambuja Cement Company represents the good status of Net Profit Margin among all selected cement companies.

#### 4. Gross Profit Margin:

Gross Profit Margin shows the profitability at gross level. Gross Profit measure the initial margin of sales before deducting operating expenses and such as selling and distribution, administrative, financing, taxes, etc.

Gross Profit Margin = (Gross Profit/Net Sales×100)

**Table 4: Gross Profit Ratio of Major Cement Companies**

Gross Profit Margin				
YEAR	ACC CEMENT	AMBUJA CEMENT	J K CEMENT	SHREE CEMENT
2018	9.76	11.82	12.51	18.69
2019	11.53	13.75	12.36	10.52
2020	12.45	18.69	17.7	15.16
2021	14.87	19.02	20.05	20.69
<b>Mean</b>	<b>12.1525</b>	<b>15.82</b>	<b>15.655</b>	<b>16.265</b>
<b>Standard Deviation</b>	<b>2.13</b>	<b>3.59</b>	<b>3.84</b>	<b>4.46</b>

The above Table:4 represents the data of Gross Profit Margin of selected cement companies from 2018 to 2021 with its Mean and Standard Deviation. In the given table the summarized value of all selected companies are to be found out and the maximum mean value is 16.265 of Shree Cement, which disclosed that Gross Profit Margin of this company is more batter than the other companies. In simple words we can say that's Shree Cement Company's Net Profit Margin earning is more than the rest. If compared the mean of all selected companies along with its standard deviation, it is observed that the variation between the mean value and standard deviation of Ambuja cement Company is lesser as compared to other companies. As a result, Ambuja Cement Company represents the good status of Net Profit Margin among all selected cement companies.

#### 5. Return On Capital Employed:

Return on capital employed refers to assess a company's profitability and capital efficiency.

ROCE = [Profit after Tax + Interest] / Net Capital Employed ×100

**Table 5: Return on Capital Employment of Major Cement Companies**

RETURN ON CAPITAL EMPLOYED				
YEAR	ACC CEMENT	AMBUJA CEMENT	J K CEMENT	SHREE CEMENT
2018	15.04	8.16	16.21	18.62
2019	18.38	9.13	13.88	12.62
2020	15.17	12.26	18.96	14.34
2021	18.32	13.22	21.2	18.88
<b>Mean</b>	<b>16.72</b>	<b>10.69</b>	<b>17.56</b>	<b>16.11</b>
<b>Standard Deviation</b>	<b>1.87</b>	<b>2.43</b>	<b>3.19</b>	<b>3.12</b>

(Source: calculated on annual report of selected companies)

The above Table:5 represents the data of Return on Capital Employed of selected cement companies from 2018 to 2021 with its Mean and Standard Deviation. In the given table the summarized value of all selected companies are to be found out and the

maximum mean value is 17.56 of J K Cement, which disclosed that Return On Capital Employed of this company is more better than the other companies. In simple words we can say that's J K Cement Company's Return on Capital Employed earning is more than the rest. If compared the mean of all selected companies along with its standard deviation, it is observed that the variation between the mean value and standard deviation of ACC cement Company is lesser as compared to other companies. As a result, ACC Cement Company represents the good status of Return on Capital Employed among all selected cement companies.

## LIMITATIONS OF THE STUDY

- ◆ The authenticity of the results purely depends upon the authenticity of the data presented by the companies at various available sources.
- ◆ The study was conducted for specific time only.
- ◆ The study constrained to only the profitability of the companies.

## CONCLUSION

The cement giants in the industry were observed and analyzed here for the understanding of their financial performance. It is observed that operating, profit margin, profit before interest and tax, net profit and return on capital and gross profit ratios have been observed for all five companies. But it is observed that ACC Cement Ltd, and Shree Cement Ltd are better performing companies among all five. Overall performance of all the cement companies is well and they are contributing significantly to the entire economy.

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