ISSN (Online): 2455-3662
EPRA International Journal of Multidisciplinary Research (IJMR) - Peer Reviewed Journal
Volume: 7 | Issue: 7 | July 2021|| Journal DOI: 10.36713/epra2013 || SJIF Impact Factor 2021: 8.047 || ISI Value: 1.188

A STUDY ON FINANCIAL PERFORMANCE OF ULTRA TECH CEMENT LTD

[1]Dr. R. Mayilsamy, [2]Mr. S. Pradeep

[1]*Assistant Professor, Department of Commerce with Professional Accounting, Dr.N.G.P. Arts and Science College, Coimbatore*

[2]*181PA042, Department of Commerce with Professional Accounting, Dr.N.G.P. Arts and Science College, Coimbatore*

ABSTRACT

Cement industry is one of the most advanced industries in the country. It makes an important contribution to the development of factory-based industries, to the construction industry and even to the development of agriculture. In this study the technique like Ratio Analysis is used to find out profitability. Cement industry in India" the primary objectives of the study were to analyze region-wise and state-wise inflows and outflows of cement in order to forecast the production demand and installed capacity. In the study it is forecasted that demand would exceed production. To examine the financial strength of Indian cement industry with the sample companies under consideration. To analyze the competitive strength of sample companies under the study on the basis of the data collected from company's published sources.

KEYWORDS: ***Profitability, Demand would exceed production, financial strength.***

1. INTRODUCTION

Ultra Tech cement limited Company is an Indian cement company based in Mumbai. It is a subsidiary of Indian multinational conglomerate "Aditya Birla Groups". Ultra tech is the largest manufacturer of grey cement, ready mix concrete and white cement in India with an installed capacity of 116.75 million tones per annum, and is the only company in the world to have a capacity of over 100 million tones in a single country, outside of china. Ultra tech cement has 23 integrated plants, 1 clinkeristion plant, 26 grinding units and 7 bulk terminals. From modest beginning in 1914 when the first cement plant was commissioned with production of low tones a year, the Indian cement industry has come a long way in terms of technology up gradation, quality improvement and production capacity.

2. STATEMENT OF THE PROBLEM

The financial performance is an important factor which indicates the growth of the company. It is influenced by several factors like cost, revenue, and the profit margin of the companies. The financial performance may be influenced by the operational and financial efficiency of the company, which are related to cost and revenue. Cement industries play an important role in the economy of the country, especially in the Southern region. Indian cement industries have recorded continuous growth. India became not only self- reliant at the end of the Seventh Plan but also started the export of cement. At present, cement is the most advanced industry in the country. These factors ultimately have adverse impaction profitability. Hence, the present study will provide effective guidelines to the management of cement industry and others take holders.

3. OBJECTIVE OF THE STUDY

1. To analyse the operating performances in terms of cost structure, production and sales.
2. To examine the financial strength of ultra tech cement company.
3. To evaluate the fixed assets utilisation in the cement companies.
4. To analyse profitability in the sample units.

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4. RESEARCH METHODOLOGY

Source of Data	Secondary Data
Period of Study	2015-2016 to 2019-2020
Frame work of analysis	Financial Statement
Tools and Techniques	Ratio Analysis

5. STATISTICAL TOOLS

- Ratio analysis
- Financial statement

6. REVIEW OF LITERATURE

GEETHA.TN & RAMASAMY.S (2016) make use of cement industry in India to find out the overall financial performance efficiency. He found out that cement industry performance was good in India during the study period. To find out the overall performance he employed ratio analysis and compound aggregate growth rate. He concluded that the cement companies in India have to consolidate in order to become strong.

Dr. M. THIYAGARAJAN (2015) In this paper "Profitability analysis of selected aluminum companies in India. The study based on the secondary data, the tools used for analysis are mean, standard deviation, co-efficient of variation and compound annual growth rate. The Study ascertains that the National Aluminum Company limited shows satisfactory performance in concern with profitability.

SATHYA (2012) had studied in her article on "Analysis of Composite Profitability Index of the cement companies in India". The return of a business might be defined as the ability of given financial to earn a return form to use. This study is based on the secondary data from a sample of 30 cement companies, attempted to measure the composite profitability of a firm by a single index.

7. TABLE

Table Shows the Financial Performance of Ultra Tech Cement Ltd

Year	Current Ratio	Liquid Ratio	Cash Position Ratio	Net Profit Ratio	Return On Asset Ratio	Return On Investment Ratio	Inventory Turnover Ratio	Asset Turnover Ratio
2015-2016	0.86	0.66	0.19	9.99	6.18	10.95	10.41	61.91
2016-2017	1.55	1.27	0.27	10.99	6.68	10.97	10.74	60.82
2017-2018	0.96	0.68	0.01	7.49	4.10	8.60	9.61	54.78
2018-2019	0.87	0.61	0.04	6.03	3.48	8.64	10.56	57.74
2019-2020	1.03	0.77	0.02	13.42	7.59	14.24	10.60	56.60

FINDINGS

- The current ratio was higher during 2016-17 with the ratio of 1.55 and lower with the ratio of 0.86 during 2015-16. Current ratio is 2:1 so, that the company is maintaining a downward position in current ratio.
- The liquid ratio is higher during the year 2016-17 with the ratio of 1.27 and lower with the ratio of 0.61 during 2018-19 and the current year liquidity ratio is 0.76; which means the business is going up and down to attain profit of the firm.
- The cash position is higher in 2016-2017 and completely down during the year 2017-2018. In this situation if its keep on continue means the company could not attain their good position in the business fields.
- In Net profit ratio that the year 2015-16 has 9.99% net profit and increased during the year 2019-20 which has 13.42% of net profit respectively. Hence that the company is developing their net profit year by year.
- In return on asset ratio compared to 2016 they have attained better improvement in the year 2020 of 7.59 ratios. The return on assets ratio indicates that the company might have improved during the year 2016 to 2020.

- In return on investment ratio 2020 has (14.24) higher ratio compared to previous four years thus, the company is rising year by year.
- The inventory turnover ratio is increased during the year 2016-2017 with the ratio of 10.74 and gets down during the year 2020. Thus the company's performance is in upward and downward form.
- Asset turnover ratio is higher with the ratio of 61.91 during 2016 and gradually decreased to 56.60 during 2020. It indicates the assets have not been properly utilized to generate maximum net sales.

8. SUGGESTIONS

- The capacity of earning of the company is regards with net profit is higher compared to previous years as they can make higher expenditure and the profitability of the company. So that the company has a right strategy to regain the net profit in coming years.
- The company has failed to produce revenue growth and have to utilize its existing total assets to generate net sales. The company should probably consider the use of the fund to invest other opportunities to get a profit rather than over investing on assets.
- As the cash position ratio is less than the ideal ratio, the company should take effective measures to create more cash reserves to pay of its debts. They should increase its short term liquidity of the company, its helps to pay of the current dues.
- To increase the sale of Ultra tech cement in such area there is a need of time to time demo programs, seminars & meetings.
- The company must improve its supply so as the demand for the cement can be easily met.
- It must target the rural markets as they are providing a good marketing opportunity these days.

9. CONCLUSION

The analysis of the company was undertaken with the help of ratios, which are important tools of financial analysis. After the study of financial performance of Ultra tech cement ltd from various financial aspects like profitability position of the company is more or less depends upon better utilization of resources, decreased expenses etc… and its less than satisfactory level as the ratios are decreasing every year. As in the case of liquidity ratios, cash position ratio was unable to even touch the ideal ratio, thus it has to increase short term liquidity to pay off its current dues. Hence the study reveals there was a gradual rise and fall in the growth of company during the study period.

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