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A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF ULTRA TECH CEMENT LTD - AN ANNUAL GROWTH ANALYSIS

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ABSTRACT

The global cyclical upswing since mid - 2016 strengthened during the year. Among the advanced economies, notably Germany, Japan, Korea and the United States, growth in the third quarter of 2017 was higher than projected. Key emerging markets and developing economies like Brazil, China and South Africa also posted impressive growth. Global trade was significantly higher, supported by a good flow of financial, particularly among advanced economies and increased Asian manufacturing output. The stronger momentum experienced in 2017 is expected to carry into 2018 and 2019, with global growth rising to 3.9% for both years. The International Monetary Fund (IMF) remained optimistic of India's potential and retained GDP growth forecast for the country at 6.7% in 2017 and 7.4% in 2018. In its World Economic Outlook Update, it also estimated that the Indian economy could grow 7.8% in 2019, making it the world's fastest-growing economy in 2018 and 2019, a ranking that it briefly lost to China in 2017. The economy's growth trajectory was sustained on the back of a series of reforms undertaken over the past year.

India is the world's second largest cement producer. In anticipation of demand, ~ 90 million tonnes of capacity was added during the past five years. During the year, the industry reported a rise in cement demand and after seven years' the industry is likely to report historical demand growth multiple against GDP. The Government's thrust on infrastructure development remained the key growth driver. Besides, revival in rural housing demand and accelerated execution under the low cost housing program, bolstered volume off-take. This article financial performance analyses of actual and trend performance of Ultra Tech Cement Ltd (ULC).

KEYWORDS- *Million tones, Financial, Ultra Tech, Profitability.*

1. INTRODUCTION

The cement industry is energy intensive and thus power costs form the most critical cost component in cement manufacturing, of about 35% to total cost of production. The issues here is the technology used (dry versus wet process), fuel efficiency (efficient use of coal/lignite/any other material used for burning) and power efficiency (power availability, use of alternative fuels, unit power consumption, cost and availability of captive power).The scope for cost reduction through better energy efficiency may now be limited for better performing companies since they have already reached the best feasible levels.

The financial analysis of cement companies depends upon how efficiently its major cost components are handled and how efficiently the increase in demand for cement is capitalized and converted into profit. This study is focused on finding out why the financial analysis of the cement companies varies from unit to unit. This study will be of immense

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help to the society by enabling the prospective investors and other stakeholders of the cement industry in India to take economic and profitable decisions. The Ultra Tech Cement Ltd in cement industry in India will also be able to know their existing financial strength by this study so as to take the policy decisions relating to finance in future.

The primary objective of making financial in any business is to obtain satisfactory return on the capital invested. Hence, the return on capital employed is used a measure of success of a business realizing this objective. It is the chief profitability ratio and the most important measure of performance as it indicates the comparative efficiency with which the whole company runs properly. Therefore, return on capital employed is a valuable yardstick to measure the overall performance of an undertaking. The return on capital employed shows the equity power of the capital invested. It indicates how the management used the funds supplied by creditors and owners. The higher the more efficient can be considered the enterprises in using funds entrusted to it. The comparison of this ratio, with ratios of similar business organizations will reveal the relative operating efficiency of business enterprise. Further, an investor can judge the future prospects of business enterprises by taking into consideration the earning capacity of capital employed.

2. OBJECTIVES OF THE STUDY

a). To measure the extent of influence of the variables responsible for the profitability of Ultra Tech Cement Ltd (ULC).

2.1. SAMPLING DESIGN

The stratified random sampling method has been employed in the study, according to the prowess corporate database developed by CMIE, (Centre for Monitoring Indian Economy) there are 26 BSE and 20 NSE listed companies located in India, Out of which listed in both BSE and NSE , the Ultra Tech Cement Ltd (ULC) is taken for the study based on their Net Sales above Rs.20,000 Cr.

Company Name	Net Sales (Rs.cr) updated on 2018
Ultra Tech Cement Ltd (ULC)	20,279.80

Source: CMIE

2.2. PERIOD OF THE STUDY

This study covers the period of 10 years from 2004-2005 to 2013-2014 and the essential data for this period have been collected for Ultra Tech Cement Ltd (ULC). The financial year runs from 1st April to 31st March every year.

2.3. HYPOTHESES OF THE STUDY

In tune with the objective of the study the following hypotheses have been framed.

Ho: **There is no significant difference between return on total asset and financial variables of Ultra Tech Cement Ltd (ULC).**

3. REVIEW OF LITERATURE

Amalendu Bhunia (2010) had undertaken an analysis of financial performance of pharmaceutical companies to understand how management of finance played a crucial role in the growth. The present study covered two public sector drug & pharmaceutical enterprises listed on BSE. The study had been undertaken for the period of twelve years from 1997-98 to 2008-09. In order to analyze financial performance in terms of liquidity, solvency, profitability and financial efficiency, various accounting ratios had been used. Statistical measures namely Linear Multiple Regression Analysis and Test of Hypothesis – t test had been used.

Neha Mittal (2011) had studied the determination of the capital structure choice of the selected Indian industries. The main objective had to investigate whether and to what extent the main structure theories could explain the capital structure choice of Indian firms. It had applied multiple regression models on the selected industries by taking data for the period 2001-2008. It had examined the relevance of capital structure in selected Indian industries based on a regression analysis and data study. It concluded that the main variables, determining capital structure of industries in India were agency cost, assets structure, non-debt tax shield and size. The coefficients of these variables were significant at one per cent and five per cent levels.

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 measured by studying the profitability of financial in it. Profitability might be defined as the ability of given financial to earn a return from its use. This study based on the secondary data from a sample of 30 cement companies, attempted to measure the composite

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profitability of a firm by a single index. The analysis showed that in order to rank the selected companies in terms of composite profitability, ratio-wise scores had been aggregated and the firm getting the highest total score had been ranked as 1 and the firm securing the lowest total score had been ranked as 30.

4. STATISTICAL TOOLS USED FOR ANALYSIS

The area of study deals with ways to identify the factors that determine the relationship between the observed variables and provide an empirical classification scheme on clustering of variables into groups, to examine the variables which influence the return on total asset by applying the stepwise multiple linear regression analysis and to classify the companies into groups with respect to the selected variables by using discriminate analysis.

The area of study is proposed to calculate various financial ratios to examine the financial performance of the selected cement companies. The following statistical techniques are also used to measure the growth rates of various financial variables related to financial performance of Ultra Tech Cement Ltd (ULC):

1. Multiple regression analysis
2. Correlation analysis
3. Factor analysis

In order to test the significance of variations in the return on total asset and financial variables of selected cement companies, the following hypothesis is framed and tested.

Ho: There is no significant difference between return on total asset and financial variables of Ultra Tech Cement Ltd (ULC).

The following variables and ratios are employed to conduct the analysis:

X_1	Current Ratio
X_2	Quick Ratio
X_3	Debt Equity Ratio
X_4	Long Term Debt Equity Ratio
X_5	Interest Cover
X_6	Total Debt to Owners Fund
X_7	Financial Charges Coverage Ratio
X_8	Financial Charges Coverage Ratio Post Tax
X_9	Inventory Turnover Ratio
X_{10}	Debtors Turnover Ratio
X_{11}	Investments Turnover Ratio
X_{12}	Fixed Assets Turnover Ratio
X_{13}	Total Assets Turnover Ratio
X_{14}	Assets Turnover Ratio
X_{15}	Selling Distribution Cost Composition
X_{16}	Expenses as Composition of Total Sales
X_{17}	Dividend Payout Ratio-Net Profit
X_{18}	Dividend Payout Ratio-Cash Profit
X_{19}	Earning Retention Ratio
X_{20}	Cash Earning Retention Ratio.

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Table No. 1
Multiple Regression Analysis of the Selected Variables with the Ratios of Return on Total Assets - Ultra Tech Cement Ltd

S.No.	Ratios	Multiple Regression Co-efficient	t' value	p-value
X_1	Current Ratio	.127[b]	1.034	.335
X_2	Quick Ratio	.194[b]	1.821	.111
X_3	Debt Equity Ratio	.143[b]	.346	.740
X_4	Long Term Debt Equity Ratio	.081[b]	.225	.829
X_5	Interest Cover	-.119[b]	-.829	.435
X_6	Total Debt to Owners Fund	.143[b]	.346	.740
X_7	Financial Charges Coverage Ratio	-.112[b]	-.698	.508
X_8	Financial Charges Coverage Ratio Post Tax	-.122[b]	-.701	.506
X_9	Inventory Turnover Ratio	-.101[b]	-.813	.443
X_{10}	Debtors Turnover Ratio	-.232[b]	-2.214	.062
X_{11}	Investments Turnover Ratio	-.189[b]	-1.472	.185
X_{12}	Fixed Assets Turnover Ratio	-.131[b]	-.889	.403
X_{13}	Total Assets Turnover Ratio	-.252[b]	-2.134	.070
X_{14}	Assets Turnover Ratio	-280	-3.490	0.010.*
X_{15}	Selling Distribution Cost Composition	-.069[b]	-.365	.726
X_{16}	Expenses as Composition of Total Sales	0.874	-10.903	0.000.*
X_{17}	Dividend Payout Ratio Net Profit	.268[b]	2.058	.079
X_{18}	Dividend Payout Ratio Cash Profit	-.107[b]	-.390	.708
X_{19}	Earning Retention Ratio	-.094[b]	-.756	.474
X_{20}	Cash Earning Retention Ratio	.389[b]	1.393	.206

**Significant at 5% level. * Significant at 1% level

Table No. 2
ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	292836.789	1	292836.789	60.811	.000[b]
	Residual	38524.198	8	4815.525		
	Total	331360.986	9			
2	Regression	317303.540	2	158651.770	79.002	.000[c]
	Residual	14057.447	7	2008.207		
	Total	331360.986	9			

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TABLE No.3
MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.940[a]	.884	.869	69.39398
2	.979[b]	.958	.945	44.81302

The above table is used to represent the multiple regression co-efficient values of ULC. These presented values indicate that two variables are individually contributing significantly to variations in the return on total assets when influences of other variables are kept constant. The t and Sig (p) values give a rough indication of the impact of each of the predictor variables namely, Asset Turnover Ratio (t -3.490, p .010 , p< 0.01), Expenses as Composition of Total Sales (t -10.903, p .000 , p< 0.01) In connection with this, the R value in terms of these variables are 94 and 97.9 per cent respectively. Overall ANOVA results show that the p-value is less than 0.01(p<0.01).Hence, this model is statisticallysignificantat1%level.

SUMMARY OF FINDINGS

The present study is undertaken with a view to find, analyses, suggest and conclude the financial performance of Ultra Tech Cement Ltd for the period of 10 years from years 2004-2005 to 2013-2014. The analysis of financial performance was carried out by taking into consideration of parameters, like liquidity position, sales, profitability, assets utilization, financial strengths and overall financial soundness of the Ultra Tech Cement Ltd. The published financial statements were extensively used for analyzing and interpreting the financial performance of the Ultra Tech Cement Ltd. Theses financial statements had been analyzed with the help of appropriate financial ratios and various statistical techniques, such as Compound Annual Growth Rate, Regression Analysis, ANOVA, Multiple Regression and Correlation Analysis and Factor Analysis.The key findings of the study relating to financial performance of selected cement companies, keeping in view the findings and suggestions, are summarized below:

ULTRA TECH CEMENT LTD

The analysis represented the multiple regression co-efficient values of ULC. The t and Sig (p) values gave a rough indication of the impact of each predictor variable namely, Asset Turnover Ratio (t -3.490, p .010 , p< 0.01), Expenses as Composition of Total Sales (t -10.903, p .000 , p< 0.01) In connection with this, the R values in terms of these variables were 94 and 97.9 per cent respectively. In respect of overall ANOVA results, the p-value was less than 0.01(p<0.01).Hence, this model was statistically significant at 1% level.

SUGGESTIONS

For steady, stable, assured and accelerated growth of the Ultra Tech Cement Ltd the researcher suggests;

1. To raise the return on massively invested capital, the Ultra Tech Cement Ltd with long gestation period should try to increase the production to the extent of reaping the maximum of internal and external economies of large-scale production.
2. To increase the quantum of profit of the company in monetary terms by controlling the cost of cement sold optimizing the operating expenses and capitalizing the opportunities emerging out of government and private initiatives for infrastructural development of the country.
3. To take up constructive and profit – spinning measures to maximize the productivity of all the inputs viz raw materials, labour, capital, organizational and technological revamping for uplifting the profitability of the Ultra Tech Cement Ltd.
4. To judiciously integrate the profitability in relation to sales and profitability in relation to investments.

SCOPE FOR FURTHER STUDY

1. Endeavour has been made to measure the financial performance of Ultra Tech Cement Ltd in India. Further research can be carrie d out by clustering the cement companies on the basis of identical capital structure, geographical features, cost structures, prevailing manner forces, age of the companies, capacity utilization levels.
2. There are wide variation in Share Prices, manner Capitalization, P/E Ratio, Book

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Value, and Dividend Payout, Price to Capital nd Price to Book Value, which more or less reflects the financial performance. Each parameter can be taken up separately in future for further research.

CONCLUSION

An attempt has been made in the present study to investigate the financial performance of Ultra Tech Cement Ltd in India during the years from 2004-2005 to 2013-2014. Instead of using the common method of analysis, the financial performance is analysed through operating performance, financial strengths and weaknesses, and utilization of fixed assets, and working capital. From the present study, it is observed that all the Ultra Tech Cement Ltd perform well during this period. It can be concluded that given the sustained growth in the housing sector, the governments' emphasis on infrastructure (both the national and state level) and increased domestic and global demand, the prospects for Indian cement industry is exceedingly promising. It is observed that the cement companies have matured with the help of all indicators of performance, such as size, production, capacity utilization, consumption and exports, technology of production and quality of product. They have advanced a lot along with the decrease in regional concentration. The growth and development of a country is to a greater extent achieved through industrialization. Ultra Tech Cement Ltd is the key sectors which remain as the back bone of the Indian economy which have occupied a prominent place ever since independence, due to its importance in building up of basic infrastructure for social development such as roads, irrigation dams, buildings, construction of housing sector, ports and airports.

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