

TURNOVER POSITION OF SELECT CEMENT COMPANIES IN TAMILNADU

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ABSTRACT

Financial performance is an important aspect which influences the long term stability, profitability, liquidity and turnover of an organization. The Evaluation of financial performance using Ratio Analysis, Trend Analysis had been taken up for the study with “Cement Companies”. The analysis of financial performance is of greater assistance in locating the weak spots at the Cement Companies even though the overall performance may be satisfactory. This study is conducted to analyze the turnover position of the Company is taken for the study is through analyzing the ten years annual report which clearly depicts the balance sheet in which the source of funds, applications of funds and current liabilities and provisions of the company. The overall performance of all the selected companies shows the fluctuations in some of the study period. This is due to sudden recession found globally, which also impacts the cement sectors.

Key Words: Financial Performance, Turnover, Trend, etc.,

INTRODUCTION

Finance is the brain of the business. Finance is accurately termed as the science of money. Finance is very important for the smooth operation of the business. Finance controls the policies, activities and judgment of every business. Financial performance is an important aspect which influences the long term stability, profitability, liquidity and turnover of an organization. The Evaluation of financial performance using Ratio Analysis, Trend Analysis had been taken up for the study with “Cement Companies”. Turnover determines the efficiency of asset management. The efficiency in the use of assets would be reflected by the speed with which they are converted into sales. Activity ratios point out the association between sales and various assets of the company.

OBJECTIVES OF THE STUDY

To analyse the turnover position and trends of the select cement companies in the future.

RESEARCH METHODOLOGY

Research Design

This study is an analytical research. In analytical research, the researcher has to use facts or information already available and analyze these to make critical evaluation of the study.

Source of Data

Secondary data like balance sheet, profit and loss account and annual reports are used in this study to know the turnover position of the company.

Sample

By adopting purposive sampling method the data required for the study have been selected from 2003 to 2012.

Tools and Techniques Used

Ratio Analysis

Trend Analysis

REVIEW OF LITERATURE

- **Rajeswari (2000)** studied —The liquidity management of Tamilnadu cement corporation limited, Alangulam – A case study. It can be concluded from the analysis; the liquidity position of TANCEM is not stable. Regarding liquidity ratios, there was too much of liquidity in the first two years of the study period a very high degree of liquidity is also bad as idle assets earn nothing and affects profitability. It can be concluded that the liquidity management of TANCEM is poor and is not satisfactory.
- **Sathyasundaram, I., (2001)** in his article revealed that the cement industry had received an investment of Rs.30,000 crores out of which almost Rs.15,000 crores was in the form of debt from financial Institutions and banks and he estimated that the Industry had been experiencing an annual loss of Rs.1,000 crores. He further asserted that debts had been turned into non-performing assets and shareholding value has started eroding. He highlighted the cost cutting measures followed by the Industry, to improve their margins and supported the view that the Government should come forward to give relief in the tax burden of the Industry.
- **Shenoy P.S (2001)** has done a survey of India industry in his survey he inferred that the liquidity position during fiscal 2000 – 2001 of credit flow was picking up banks faced the non-availability of adequate development avenues. Profit performance the menace of non-performing assets comparative pressures thinking spreads and growth prospects in 2000 – 2002 of the banking sector had been clearly expressed improved customer service and a major restructuring of operation can meet competition from private sector banks.
- **Santany Kumar Ghosh and Shanthi Gopal Maji (2003)** Studied, —Utilisation of current asset and operating profitability and an empirical study on cement and tea industries in India. The study concluded that the degree of current asset in positive associated with the operating profitability of the firm.
- **Ramachandra Reddy.B and Yuvarasa Reddy.B (2007)** studied —financial performance through market value added(MAV) approach the study has been made to examine the effect of selected variables as MAV, for the purpose of analysis, 10 cement company were selected in Andhra Pradesh.
- **L.G Burange and Shruti Yamini (2008)** studied on —performance of India cement industry: the competitive landscape, the cement industry is experiencing a boom on account of the overall growth of the Indian economy primarily because of increased industrial activity and expanding investment in the cement sector. The industry experienced a complete shift in the technology of production. The competitiveness among the firms in Indian cement industry has also been evaluated for the year 2006 – 2007 out of the same of seventeen firms (90.21% of the total market share); about 47% have recorded above industry average performance in the overall competitiveness index.

FINDINGS

TURNOVER RATIO

Turnover ratios measure the efficiency of asset management.

(i) INVENTORY TURNOVER RATIO

This ratio is otherwise called as inventory turnover ratio. It indicates whether stock has been efficiently used or not. It establishes a relationship between the cost of goods sold during a particular period and the average amount of stock in the concern. A high ratio indicates quick movement of stock and vice versa. The ratio is calculated as:

$$\text{Stock turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$

Table Showing Inventory Turnover Ratio

YEAR	KCP	MADRAS	INDIA	MEAN	S.D.	C.V.
2003	4.10	11.02	5.91	7.01	3.59	51.19
2004	4.41	13.74	7.89	8.68	4.71	54.32
2005	4.73	9.64	7.68	7.35	2.47	33.63
2006	4.43	10.27	8.81	7.84	3.04	38.78
2007	5.48	15.79	11.29	10.85	5.17	47.62
2008	6.87	12.62	11.87	10.45	3.13	29.90
2009	5.71	9.85	10.35	8.64	2.55	29.49
2010	5.09	8.38	9.55	7.67	2.31	30.14
2011	3.78	7.38	8.23	6.46	2.36	36.55
2012	5.37	8.35	9.23	7.65	2.02	26.44
MEAN	5.00	10.70	9.08	8.26		
S.D.	0.91	2.64	1.79			
C.V.	18.17	24.70	19.68			

The table reveals the inventory turnover ratio for 10 years. The inventory turnover of KCP Cement company in 2003 (4.10) and in 2012 (5.37). The maximum inventory turnover ratio in 2008 (6.87) and the minimum inventory turnover ratio falls in 2011 (3.78).

The inventory turnover ratio of Madras Cement company in 2003 (11.02) and in 2012 (8.35). The maximum inventory turnover ratio in 2004 (13.74) and the minimum inventory turnover ratio falls in 2011 (0.7.38).

The inventory turnover ratio of India Cement company in 2003 (5.91) and in 2012 (9.23). The minimum inventory turnover ratio in 2003 (5.91) and the maximum inventory turnover ratio rises in 2008 (11.87).

The overall average of the three companies is 8.26. The average of Madras Cement Company (10.70) and India Cement Company (9.08) is better than KCP Cement Company.

The Coefficient of Variance of KCP Cement Company (18.17) has better consistency.

The Madras Cement Company and India Cement Company are found to be satisfactory in the inventory position. The inventory position of KCP Cement Company has to improve the inventory position.

(ii) FIXED ASSETS TURNOVER RATIO

This shows how best the fixed assets are being utilised in the business concern. The relationship between Sales and Fixed assets is known as Fixed Assets Turnover Ratio. A higher ratio is an indicator of greater efficiency in the utilisation of fixed assets. The ratio is calculated as:

$$\text{Fixed assets turnover Ratio} = \frac{\text{Sales}}{\text{Fixed assets}}$$

Table Showing Fixed Assets Turnover Ratio

YEAR	KCP	MADRAS	INDIA	MEAN	S.D.	C.V.
2003	0.82	0.53	0.60	0.65	0.15	23.28
2004	0.85	0.58	0.68	0.70	0.14	19.41
2005	0.97	0.59	0.69	0.75	0.20	26.26
2006	1.15	0.74	0.87	0.92	0.21	22.77
2007	1.54	1.05	1.00	1.20	0.30	24.93
2008	1.84	1.04	1.01	1.30	0.47	36.31
2009	1.68	0.85	0.89	1.14	0.47	41.06

2010	1.62	0.71	0.84	1.06	0.49	46.58
2011	0.90	0.60	0.76	0.75	0.15	19.93
2012	1.12	0.68	0.83	0.88	0.22	25.51
MEAN	1.25	0.74	0.82	0.93		
S.D.	0.36	0.18	0.13			
C.V.	29.16	24.06	15.71			

The table reveals the fixed asset turnover ratio for 10 years. The fixed asset turnover ratio of KCP Cement company in 2003 (0.82) and in 2012 (1.12). The minimum fixed asset turnover ratio in 2003 (0.82) and the maximum fixed asset turnover ratio rises in 2008 (1.84).

The fixed asset turnover ratio of Madras Cement company in 2003 (0.53) and in 2012 (0.68). The minimum fixed asset turnover ratio in 2003 (0.53) and the maximum fixed asset turnover ratio rises in 2007 (1.05).

The fixed asset turnover ratio of India Cement company in 2003 (0.60) and in 2012 (0.83). The minimum fixed asset turnover ratio in 2003 (0.60) and the maximum fixed asset turnover ratio rises in 2008 (1.01).

The overall average of the three companies is 0.93. The average of KCP Cement Company (1.25) is better than other two Companies.

The Coefficient of Variance of India Cement Company (15.71) has better consistency.

The fixed asset turnover ratio of KCP Cement Company is found to be favourable.

(iii) DEBTORS TURNOVER RATIO

Debtor's turnover ratio or accounts receivable turnover ratio indicates the velocity of debt collection of a firm. In simple words it indicates the number of times average debtors (receivable) are turned over during a year.

$$\text{Debtor's turnover Ratio} = \frac{\text{Total Sales}}{\text{Debtors}}$$

Table Showing Debtors Turnover Ratio

YEAR	KCP	MADRAS	INDIA	MEAN	S.D.	C.V.
2003	11.57	14.22	5.65	10.48	4.39	41.87
2004	10.74	16.99	9.14	12.29	4.15	33.75
2005	11.29	20.16	8.43	13.29	6.12	46.01
2006	13.75	25.18	8.63	15.85	8.47	53.45
2007	14.27	31.56	10.43	18.75	11.26	60.02
2008	10.02	36.89	12.44	19.78	14.86	75.13
2009	6.82	37.17	11.55	18.51	16.33	88.20
2010	6.80	25.32	13.50	15.21	9.38	61.67
2011	7.81	17.96	15.64	13.80	5.32	38.53
2012	12.49	19.25	20.35	17.36	4.26	24.51
MEAN	10.56	24.47	11.58	15.53		
S.D.	2.69	8.27	4.20			
C.V.	25.50	33.82	36.30			

The table reveals the debtors turnover ratio for 10 years. The debtors turnover ratio of KCP Cement company in 2003 (11.57) and in 2012 (12.49). The maximum debtors turnover ratio in 2007 (14.27) and the minimum debtors turnover ratio falls in 2010 (6.80).

The debtors turnover ratio of Madras Cement company in 2003 (14.22) and in 2012 (19.25). The minimum debtors turnover ratio in 2003 (14.22) and the maximum debtors turnover ratio rises in 2009 (37.17).

The debtors turnover ratio of India Cement company in 2003 (5.65) and in 2012 (20.35). The minimum debtors turnover ratio in 2003 (5.65) and the maximum debtors turnover ratio rises in 2012 (20.35).

The overall average of the three companies is 15.53. The average of Madras Cement Company (24.47) is better than other two Companies.

The Coefficient of Variance of KCP Cement Company (25.50) has better consistency.

The debtor's turnover ratio of KCP Cement Company and India Cement Company are found to be good and satisfactory.

The debtor's turnover ratio has been fluctuating year by year. Hence the company has to control the credit sales as well as reduce the average collection period.

TREND ANALYSIS

Trend analysis is one of the apparatus for the analysis of the company's financial statements for the investment purposes. Investors use this analysis tool a lot in order to determine the financial position of the business. In a trend analysis, the financial statements of the company are compared with each other for the several years after converting them in the percentage.

Table Showing Trend Analysis For Sales

YEAR	KCP CEMENTS	MADRAS CEMENTS	INDIA CEMENTS
2003	114.39	626.14	851.58
2004	117.43	695.32	1016.9
2005	136.73	738.98	1162.14
2006	165.75	1009.1	1541.75
2007	249.99	1573.52	2255.21
2008	343	2011.03	3044.25
2009	349.14	2456.17	3359.49
2010	371.95	2800.89	3687.26
2011	316.24	2616.22	3500.72
2012	600.47	3256.74	4203.4
2015	621.31	4151.59	5481.41

The year 2003 is taken as base year for KCP Cement Company, the sales during the study period shows the increasing trend from (114.39) in the year 2003 to (371.95) in the year 2010 and decreased to (316.24) in the year 2011 and increased to (600.47) in the year 2012.

The table shows the sales of KCP Cement Company may increase (621.31) in the year 2015.

The year 2003 is taken as base year for Madras Cement Company, the sales during the study period shows the increasing trend from (626.14) in the year 2003 to (2800.89) in the year 2010 and decreased to (2616.22) in the year 2011 and increased to (3256.74) in the year 2012.

The table shows the sales of Madras Cement Company may increase (4151.59) in the year 2015.

The year 2003 is taken as base year for India Cement Company, the sales during the study period shows the increasing trend from (851.58) in the year 2003 to (3687.26) in the year 2010 and decreased to (3500.72) in the year 2011 and increased to (4203.4) in the year 2012.

The table shows the Sales of India Cement Company may increase (5481.41) in the year 2015.

Table Showing Trend Analysis For Stock

YEAR	KCP CEMENTS	MADRAS CEMENTS	INDIA CEMENTS
	STOCK (Inventory)	STOCK (Inventory)	STOCK (Inventory)
2003	32.58	69.95	153.41
2004	31.46	52.72	159.07
2005	37.85	131.13	201.6
2006	51.2	100.95	213.82
2007	56.28	128.24	248.5
2008	62.11	242.7	350.64
2009	78.12	328.89	390.93
2010	83.82	412.54	468.19
2011	107.79	392.28	497.31
2012	148.4	491.09	525.81
2015	155.01	615.62	670.28

The year 2003 is taken as base year for KCP Cement Company; the stock during the study period shows the increasing trend. In the year 2015 stock may increase to 155.01

The year 2003 is taken as base year for Madras Cement Company, the stock during the study period shows the increasing trend from (69.95) in the year 2003 to (412.54) in the year 2010 and decreasing to (392.28) in the year 2011 and increasing to (615.62) in the year 2012. In the year 2015 stock may increase to 615.62.

The year 2003 is taken as base year for India Cement Company; the stock during the study period shows the increasing trend and in the year 2015 stock may increase to 670.28.

SUGGESTIONS

- The debtor's turnover ratio has been fluctuating year by year. Hence the company has to control the credit sales as well as reduce the average collection period. KCP Cement Company has to increase cash sales.
- The inventory position of KCP Cement Company has to be improved.
- KCP Cement Company has to improve its sales at the maximum.
- Madras Cements and India Cements have to maximize their Fixed Asset Turnover.

CONCLUSION

The optimum consumption of resources, efficient management of actions, control on the cost and expenses, and enhancement of productivity is essential for the survival of the organization. Based on the analysis, this study will provide valuable suggestion, which will enable the company to overcome its weakness and enhance its financial performance. This study is conducted to analyze the turnover position of the Company is taken for the study is through analyzing the ten years annual report which clearly depicts the balance sheet in which the source of funds, applications of funds and current liabilities and provisions of the company. The objective is to analyse the turnover position and trends of the select cement companies in the future. The overall performance of all the selected companies shows the fluctuations in some of the study period. This is due to sudden recession found globally, which also impacts the cement sectors.

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