



FINANCIAL PERFORMANCE THROUGH RATIO ANALYSIS WITH SPECIAL REFERENCE TO CEMENT INDUSTRIES IN RAYALASEEMA REGION

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Abstract:

The study aims to analyze the financial performance of cement industries in the Rayalaseema region through the use of ratio analysis. Financial ratios are essential tools for evaluating the operational efficiency, profitability, liquidity, and solvency of businesses. The cement industry, being a critical sector for the construction and infrastructure development of the region, plays a pivotal role in the economic growth of Rayalaseema. This research applies key financial ratios such as profitability ratios, liquidity ratios, leverage ratios, and efficiency ratios to assess the financial health of major cement companies operating in the region. The analysis involves collecting and interpreting financial data from the companies' balance sheets, profit and loss statements, and cash flow statements over a defined period. The findings of this study will offer insights into the financial stability and growth prospects of the cement industry in Rayalaseema, thereby aiding stakeholders such as investors, managers, and policymakers in making informed decisions. Ultimately, the research provides a comprehensive evaluation of how financial metrics reflect the performance of cement companies and their contribution to the regional economy.

KEYWORDS: *cement, ratio, liquidity, profitability, leverage.*

Introduction:

The financial performance of a company is a critical indicator of its overall health, competitiveness, and potential for growth. Among the various methods of assessing financial health, ratio analysis stands out as an effective tool for evaluating a company's performance, providing a comprehensive understanding of its operational efficiency, profitability, liquidity, and solvency. Financial ratios help stakeholders such as investors, managers, and analysts in making informed decisions regarding the company's future prospects.

The study will focus on key financial ratios, including profitability ratios (e.g., net profit margin, return on assets), liquidity ratios (e.g., current ratio, quick ratio), efficiency ratios (e.g., asset turnover, inventory turnover), and leverage ratios (e.g., debt-equity ratio, interest coverage ratio). By evaluating these ratios over a

specified period, the study aims to provide a clear picture of the financial health and performance trends of the cement industries in the Rayalaseema region. The outcomes of this research will offer valuable insights to various stakeholders, including investors, company management, and policymakers, thereby contributing to the strategic development of the cement industry in the region.

Review of Literature:

Prasanta Paul (2011) stated on the Financial Performance Evaluation – Some of the selected NBFCs are taken for the comparative study. In the study, five of the listed NBFCs are considered for the analyzation of comparative financial performance. Different type of statistical tools like standard deviation, arithmetic mean, correlation etc., are used extensively.

Sheela Christina (2011) reported on Financial Performance of Wheels India Ltd. Secondary data collection method is used for the analytical type of research design. Before conducting the study, validity and reliability is checked for the past five years where the researcher used this for the purpose of study.

Ried Edwardj and Srinivasan Suraj (2010) made an investigation to check whether the special items presented by the managers' in the financial statements reflected in the economic performance or opportunism.

Gaur Jighyasu (2010) focuses on the measurement of financial performance of business group companies of nonmetallic mineral products industries of India. This study uses the 57 business group companies' financial data of nonmetallic mineral products industries of India such as glass, cement, jewellery and gems, ceramic tiles, refractories etc.,

Amalendu Bhunia (2010) took the analysis of pharmaceutical company's financial performance to understand how the management of finance playing a crucial role in the growth. For a period of twelve years the study has undertaken from 1997-98 to 2008-09.

Ghosh Santanu Kumar and Mondal Amitava (2009) study on the relationship of intellectual capital and finance performances for a period of 10 years from 1999 to 2008 of 70 Indian banks. The measurement of financial performance used in this analysis were return on equity, return on assets and assets turnover ratio of Indian Banks.

Noel Capon et al (1994) published a meta-analysis on the impact of the strategic planning on financial performance which has omitted a major study on corporate planning in the fortune five hundred manufacturing firms. Finally, the conclusions were that there is a small but positive relationship between the strategic planning and the performance existed.

Zhu Wuxiang and Song Yong (2001) Equity structure and firm value: An empirical analysis of listed companies of household electric appliances industry. Based on the sample of 20 number of listed companies in the household electric appliances the relationship between firm value and equity structure is examined.

G.E. Halkos (2004) Efficiency measurement of the Greek commercial banks with the use of financial ratios: a data envelopment analysis approach. This paper studied about the application of the non-parametric analytic technique in respect of the DEA (Data Envelopment Analysis) to measure the performance of Greek banking sector.

Objectives of the study:

1. To analyze the liquidity position of the Cement Industries.
2. To study the important aspects like liquidity and profitability of the company through ratio analysis.
3. To suggest measures for improvement of financial performance of cement industries.

Research Methodology:

Research Design	:	Analytical Method
Data type	:	Secondary Data
Sources of Data	:	Company web sites (Annual reports) and other web sites
Period of study	:	2019-2020 to 2023-2024
Tools for Analysis	:	Ratio Analysis

Scope of the Study:

The scope of the study is the cement industries.

Analysis:**Liquidity Ratios:**

Sl. No.	Year	Current Ratio	Quick Ratio	Cash Ratio
1	2019-2020	1.64	1.50	0.0095
2	2020-2021	1.68	1.66	0.049
3	2021-2022	1.78	1.31	0.049
4	2022-2023	7.99	7.04	0.132
5	2023-2024	2.4	1.97	0.034

The current ratio has stood up at 7.99 in 2023-24 when compared to the previous of 2022-2023. The decrease in percentage of the ratio is 5.59

The reasons for the decrease are explained below.

- Sundry debtors have increased in 2022-23 as compared to 2023-2024 in current assets the value of inventories has gone up.
- The cash and bank balances have increase

Quick ratio has stood up at 7.04 in 2022-2023, the decrease in 5.07 compared to the previous year. This is due to the decreased in current liabilities, compared to previous year.

- Cash ratio in the year 2021-2022 is 0.132
- Cash ratio in the year 2018-2023 is 0.1

When compared to previous year, the cash ratio in the year has 2022-23 decreased by 0.1.

- This is due to the decreased in current liabilities in 2020-21, when compared with 2022-23 year.

Turnover Ratios:

Sl. No.	Year	Total Assets Turnover Ratio	Fixed Assets Turnover Ratio	Current Assets Turnover Ratio
1	2019-2020	4.55	6.239	6.63
2	2020-2021	3.06	4.33	4.2148
3	2021-2022	4.11	6.09	5.551
4	2022-2023	3.84	7.15	7.259
5	2023-2024	4.198	8.46	1.4040

Total assets turnover ratio on 2019-2020 to 2023-2024 is 4.55, 3.06, 4.11, 3.84 and 4.198 when compared to previous year the total assets turnover ratio has decreased to 4.55 to 4.198 to twice 0.352.

The firms' assets ratios in the years 2019-2020 to 2023-2024 are 6.239, 4.33, 6.09, 7.15 and 8.4636 respectively. The fixed assets ratios every year are fluctuations. The company asset turnover increase 6.239 to 8.4636 in the year 2019-20 to 2023-2024 i.e., 2.225.

The company's asset turnover ratios in the year 2019-2020 to 2023-2024 are 6.63, 4.2148, 5.551 and 7.259. The asset turnover ratio in the year 2019-2020 is 6.63 and it has decreased to 4.2148 in the year 2021-22 due to increase in net assets and it has further decreased to 1.404 in the year 2023-2024 due to decreased in net assets. The company is producing Rs.5.226 of sales for one rupee of capital employed in the net assets in the year 2023-2024.

Conclusion:

The financial performance of cement industries in the Rayalaseema region, analyzed through ratio analysis, reveals several key insights into their operational efficiency, liquidity, and turnover. The cement industries in this region show a generally stable financial standing, with certain companies displaying higher profitability ratios, indicating efficient cost management and solid revenue generation. However, there are variations across companies in terms of liquidity ratios, suggesting that some companies may face challenges in maintaining adequate short-term financial health.

In conclusion, while the cement industries in Rayalaseema show promising financial health with moderate profitability and solvency, there are disparities that suggest the need for more strategic management of operational costs, debt, and working capital to improve the overall financial performance. Regular ratio analysis can help identify areas for improvement and support decision-making for sustainable growth in the highly competitive cement industry.

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