

AN ANALYSIS OF FINANCIAL PERFORMANCE OF RAMCO CEMENTS LIMITED

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Abstract

Financial resources are regarded as a company's lifeblood. Finance is now one of the fundamental pillars upon which all economic endeavors are built. Financial performance analysis helps management make decisions by revealing the company's financial strengths and weaknesses. Forecasting the company's growth and financial situation in the short and long term is made easier by this tool. The project, titled "An analysis of Ramco cements limited's financial performance," demonstrates the company's financial performance. The budget report of Ramco concretes ltd gathered over a time of a long time from 2016 - 17 to 2021 - 22. Comparative balance sheet and ratio analysis are the tools used for the purpose of analysis. Lastly, the project's outcome indicates that Ramco Cement Ltd.'s financial performance during the study period was satisfactory.

Ratio analysis, a comparative balance sheet, and financial performance are all keywords.

INTRODUCTION

Finance is just like lubricant for wheels, marrow for bones, and blood for arteries in business and industry. In today's fiercely competitive marketplace, no business or industry can function effectively without funding. The business can't be established, developed, or run effectively without funds. By correctly establishing the relationship between the items of the balance sheet and the profit and loss account, financial performance analysis is the process of determining the firm's financial strengths and weaknesses. Financial performance analysis can be used to identify growth and aid in both short-term and long-term forecasting. Resolving or separating a thing into its component parts for the purpose of tracing their relationship to the things as a whole and to one another is the meaning of analysis. In this study, I have looked at Ramco cements limited's profitability as well as its financial performance. For the purpose of comparing and analyzing, I used the comparative balance sheet and various ratios to examine Ramco cements limited's profitability.

STATEMENT OF PROBLEM

Financial performance analysis is the use of financial data to evaluate a company's financial position in order to comprehend and make decisions about the company's operations. The relationship between various financial facts and figures is the primary focus of financial statement analysis. Predicting the future requires

an understanding of the past. The purpose of this study is to assess Ramco cements ltd.'s overall financial performance. This study uses ratio analysis to compare the selected company's financial performance over the past six years.

SCOPE OF THE STUDY

This study can be utilized by the organizations to know their monetary presentation and to contrast and their rival. Investors who want to make investments in the companies can use the information in this study to make decisions about their investments. Future researchers who want to conduct research that is related to this study can benefit from this study.

OBJECTIVES OF THE STUDY

- To look at the monetary exhibition of Ramco concretes ltd.
- To investigate Ramco Cements Ltd.'s profitability.

RESEARCH METHODOLOGY

NATURE AND PERIOD OF THE STUDY

This is an comparative study as it is comparing the financial performance of Ramco cement ltd and the period of the study is six years i.e. 2016 – 2017 to 2021 – 2022.

NATURE AND SOURCE OF THE DATA

This study is based on the secondary data and the data is collected from and official website of Ramco cement ltd.

TOOLS AND TECHNIQUES

Comparative balance sheet and ratio analysis are the tools used in this study for the analysing purpose.

LIMITATIONS OF THE STUDY

- This study has been carried out for the period of six years and it is not sufficient enough to analyse the entire aspects of the company
- The study is purely based on data which is collected from official website of Ramco cements ltd.

REVIEW OF LITERATURE

A review of literature is collected through secondary sources and collected different reviews from many authors.

Dr. N. Subburaj (2022), Stated their study as on attempt to “A study on financial analysis of Ramco cement Pvt Ltd”. The primary objective of their study as to evaluate the financial performance of Ramco Cement Pvt Ltd. The researchers used the secondary data from the periods of 2009 to 2013. He use the ratio analysis, trend analysis and comparative statement for the analysing purpose. The researcher suggested that the company wants to maintain the strict credit policy and proper inventory control measures. He concluded their study that the overall performance of Ramco cement Ltd is in good position

Y. Rambabu & Mrs. k. Harika (2020), Stated their study as on attempt to “A Comparative study on financial statement analysis of Cipla limited”. The primary objective of their study as to serve conspectus background foe analysing productive statements. The researchers used the secondary data collected from the co- conspirator text serener stranger dissimilar books, journal and websites. The researcher were used trend analysis for the purpose of analysing the financial statement of particular concern. They concluded that the Cipla limited had ready illustrious performance over the length ready of existence of five years (2014-18) and at all times years there is increased in total capital diligent by company which states that company is attainment growth targets

Dr. Mrs. Lakshmi. G et. al (2019), stated their study as on attempt to “A study on the financial performance of Facebook after Acquisition of Whatsapp”. The primary objective of their study as to find cash inflow & outflow of facebook after acquisition of whatsapp in the period of 2013 to 2017. The researchers used the secondary data for their study and Its collected from various websites and journals. The cashflow statement and comparative balance sheet are used for the tool for analysing the data. They concluded that the whatsapp plays a significant role in the global areas crucial to facebook’s growth by reaching a billion users and with the market of that size facebook is sure to find in way to eventually cash in

Dr. Vijayalakshmi. S et.al (2019), stated their study as on attempt to” A study of the financial performance analysis of Ashok Leyland LTD” the main objective of their study as to analyse the solvency and liquidity position of the firm. The researchers used the secondary data and Its collected from the firm’s annual reports and other relevant data from newspaper, websites and journals. They were used different type of ratios like current ratio, quick ratio, debt equity ratio, etc... for their analysing purpose. The researchers concluded that the overall liquidity position of the company is fluctuating. So, the company wants to increase the current

asset. And, also the debt position of the company should maintain at the lower level to reduce the liability of the firm.

Dr. B. Navaneetha et.al (2019), Stated their study as an attempt to “An analysis of financial performance of INFOSYS limited” the main objective of their study as to predict and analyse the sales, profit and financial performance of Infosys limited. The researchers used the secondary data and its collected from the annual reports of the company, books, journals and websites. They were used the common size statement and trend analysis are the tools used in this study for analysing the financial statements of Infosys. They concluded that the sales and profit of the Infosys ltd has been increased gradually. This indicates the performance of the Infosys ltd is good.

ANALYSIS AND INTERPRETATION

Analysis and interpretation of financial statement are an attempt to determine the significance and meaning of the financial statement data so that a forecast may be made of the prospects for future earnings, ability to pay interest, debt maturities, both current as well as long term and profitability of sound dividend policy.

RATIO ANALYSIS

GROSS PROFIT RATIO

Gross profit ratio is a profitability ratio that measures the relationship between the gross profit and net sales revenue. It is expressed as a Percentage, it is also known as gross profit margin.

Formula

$$\text{GROSS PROFIT RATIO} = \text{GROSS PROFIT} / \text{NET SALES} \times 100$$

TABLE SHOWING GROSS PROFIT RATIO OF RAMCO CEMENTS LTD**(Rs. In crores)**

YEAR	GROSS PROFIT	NET SALES	GROSS PROFIT RATIO (%)
2016 - 2017	3114.83	4471.44	69.66
2017 - 2018	3513.94	4478.09	78.46
2018 - 2019	3947.98	5060.24	78.01
2019 - 2020	4056.36	5285.42	76.74
2020 - 2021	4097.49	5188.7	78.96
2021 - 2022	4625.02	5897.19	78.43

(Source: secondary data)**INTERPRETATION**

The above table shows Gross profit ratio of Ramco cements limited is 69.66% in the year of 2016 - 2017 and In the year of 2017 - 2018 the ratio was increased to 78.46%. later on, In the year 2018 - 2019 & 2019 - 2020 the ratio was slightly decreased to 78.01% & 76.74% respectively. And, In the year of 2020 - 2021 the ratio was increased to 78.96%. In the year of 2021 - 2022 the ratio was slightly decreased to 78.43%. Hence, the profitability in sold goodsby Ramco cements ltd are high in the year of 2020 - 2021 compared to other financial years.

NET PROFIT RATIO

Net profit ratio is an important profitability ratio that shows the relationshipbetween net sales and net profit after tax. It is also known as net profit margin.

Formula

$$\text{NET PROFIT RATIO} = \text{NET PROFIT} / \text{NET SALES} \times 100$$

TABLE SHOWING NET PROFIT RATIO OF RAMCO CEMENTS LTD**(Rs. In crores)**

YEAR	NET PROFIT	NET SALES	NET PROFIT RATIO (%)
2016 - 2017	649.29	4471.44	14.52
2017 - 2018	555.66	4478.09	12.04
2018 - 2019	505.89	5060.24	9.99
2019 - 2020	601.09	5285.42	11.37
2020 - 2021	761.08	5188.7	14.66
2021 - 2022	892.70	5897.19	15.13

(Source: secondary data)

INTERPRETATION

The above table shows net profit ratio of Ramco cements limited is 14.52% in the year of 2016 - 2017 and In the year of 2017 - 2018 & 2018 - 2019 the ratio was decreased to 12.04% and 9.99% respectively. later on, In the year 2019 - 2020, 2020 - 2021 & 2021 - 2022 the ratios was increased to 11.37%, 14.66% & 15.13% respectively. Hence, the net profit ratio of the Ramco cements ltd are high in the year of 2021 - 2022 compared to last five years. It indicates that company is in the good financial position.

COMPARATIVE BALANCE SHEET

COMPARATIVE BALANCE SHEET OF RAMCO CEMENTS LTDAS ON 2017 – 2018

PARTICULARS	AMOUNT (Rs in Crore)		CHANGE IN VALUE	
	YEAR (31.3.2017)	YEAR (31.3.2018)	AMOUNT (Rs in Crore)	PERCENTAGE (%)
EQUITY & LIABILITIES				
Equity Share Capital	23.81	23.56	0.25	1.05
Other Equity	3717.70	4018.62	300.92	8.09
NON CURRENT LIABILITIES				
Financial liabilities				
a) Borrowings	503.63	416.31	-87.32	-17.34
Provisions	3.61	8.65	5.04	139.61
Deferred government grants	11.48	12.71	1.23	10.71
Deferred tax liabilities (net)	728.14	759.68	31.54	4.33
CURRENT LIABILITIES				
Financial liabilities				
a) borrowings	634.51	582.64	-51.87	-8.17
b) Trade payables	255.79	267.14	11.35	4.44
c) Other financial liabilities	997.84	775.42	-222.42	-22.29
Provisions	46.51	48.43	1.92	4.13
Deferred government grants	0.96	1.13	0.17	17.71
Liabilities for current tax	4.54	32.97	28.43	626.21
Other current liabilities	80.38	143.16	62.78	78.10
TOTAL	7008.9	7090.42	81.52	1.16
ASSETS				
NON CURRENT ASSETS				
property and plants	4,877.28	5008.78	131.5	2.69
Capital work in progress	97.42	150.03	52.61	54
Investment property	240.63	237.57	-3.06	-1.27
Intangible assets	65.10	51.76	-13.34	-20.49

Intangible assets under development	22.84	24.89	2.05	8.98
Investments in subsidiary and associates	121.79	131.90	10.11	8.30
Financial assets				
a) Other investments	26.53	27.37	0.84	3.17
b) Loans and advances	46.29	41.84	-4.45	-9.61
c) Other financial assets	9.81	15.66	5.85	59.63
Other non – currents assets	82.62	102.34	19.72	23.87
CURRENT ASSETS				
Inventories	575.43	559.94	-15.49	-2.69
Financial assets				
a) Loans and advances	27.26	442.31	415.05	1522.56
b) Trade receivables	554.90	88.21	-466.69	-84.10
c) Cash and cash equivalents	81.65	31.20	-50.45	-61.89
d) Bank balance other than the cash and cash equivalents	36.43	31.10	-5.33	-14.63
e) Other financial assets	31.23	57.71	26.48	84.79
Other current assets	111.69	87.81	-23.88	-21.38
TOTAL	7008.9	7090.42	81.52	1.16

INTERPRETATION

The comparative balance sheet of Ramco cements ltd as on 2017 and 2018 shows a slight increase in total equity and liabilities, and a moderate increases in total assets. The financial liabilities for borrowings decreased, while the provisions increased. The company had a significant increase in loans and advances in the current asset section, but also a significant decrease in trade receivables and cash and cash equivalents. A detailed analysis and comparison with industry benchmarks or past performance would be necessary to assess the financial health and performance of the company accurately.

COMPARATIVE BALANCE SHEET OF RAMCO CEMENTS LTDAS ON 2021 – 2022

PARTICULARS	AMOUNT (Rs in Crore)		CHANGE IN VALUE	
	YEAR (31.3.2021)	YEAR (31.3.2022)	AMOUNT (Rs in Crore)	PERCENTAGE (%)
EQUITY & LIABILITIES				
Equity Share Capital	23.58	23.63	0.05	0.21
Other Equity	5,603.21	6594.96	991.75	17.69
NON CURRENT LIABILITIES				
Financial liabilities				
a) Borrowings	2162.62	2857.29	694.67	32.12
b) Other financial liabilities	7.95	19.58	11.63	146.28
Provisions	32.06	41.25	9.19	28.66
Deferred government grants	11.45	10.07	-1.38	-12.05
Deferred tax liabilities (net)	1,087.65	822.29	-265.36	-24.39
CURRENT LIABILITIES				
Financial liabilities				
a) borrowings	939.10	1072.66	133.56	14.22
b) Trade payables	363.43	490.74	127.31	35.03
c) Other financial liabilities	890.82	897.35	6.53	0.73
Provisions	32.01	37.57	5.56	17.36
Deferred government grants	1.38	1.38	-	0
Other current liabilities	190.38	272.66	82.28	43.21
TOTAL	11,345.76	13,158.53	1812.77	15.97
ASSETS				
NON CURRENT ASSETS				
Property and plants	6662.86	7575.46	912.6	13.69
Capital work in progress	2325.46	2992.15	666.69	28.66
Investment property	236.02	130.37	-105.65	-44.76
Intangible assets	57.71	66.95	9.24	16.01

Intangible assets under development	29.73	41.86	12.13	40.80
Investments in subsidiary and associates	173.04	269.29	96.25	55.62
Financial assets				
a) Other investments	27.88	27.80	-0.08	-0.28
b) Loans and advances	70.40	66.22	-4.18	-5.93
C) Other financial assets	21.36	29.05	7.69	36.00
Other non – currents assets	290.14	250.96	-39.18	-13.50
CURRENT ASSETS				
Inventories	597.90	834.47	236.57	39.56
Financial assets				
a) Loans and advances	27.70	13.62	-14.08	-50.83
b) Trade receivables	375.18	350.71	-24.47	-6.52
c) Cash and cash equivalents	106.14	146.18	40.04	37.72
d) Bank balance other than the cash and cash equivalents	35.72	32.30	-3.42	-9.57
e) Other financial assets	133.50	158.19	24.69	18.49
Other current assets	174.32	171.16	-3.16	-1.81
TOTAL	11,345.76	13,158.53	1812.77	15.97

INTERPRETATION

The comparative balance sheet of Ramco Cements as on 2021-2022 indicates the equity and liabilities side of the balance sheet shows the company's ownership structure and its obligations towards creditors. The equity share capital remained almost the same, while other equity increased by 17.69% due to an increase in retained earnings. The non-current liabilities increased by 28.66% primarily due to an increase in borrowings and other financial liabilities, while deferred tax liabilities decreased by 24.39%. The current liabilities increased by 15.97%, primarily due to an increase in trade payables and borrowings. On the asset side, the non-current assets increased by 18.95%, primarily due to an increase in property and plants and capital work in progress. However, investment property decreased by 44.76%. The current assets increased by 15.97%,

primarily due to an increase in inventories and cash and cash equivalents. However, loans and advances decreased by 50.83%

FINDINGS

- In the year of 2016 - 17 to 2017 - 18, the company's total liabilities and total assets are slightly increased in 2017 - 18 compared to 2016 - 17.
- In the year of 2020 - 21 to 2021 - 22, the company's liabilities increasing at a higher rate than the assets in 2021 - 21. It indicates the company has taken more debt to finance its growth.
- Under Gross profit ratio, In the year of 2020 - 2021 was the highest ratio as 78.96%. And, In the year of 2016 - 2017 was the lowest ratio as 69.66%.
- Under Net profit ratio, In the year of 2021 - 2022 was the highest ratio as 15.13%. And, In the year of 2018 - 2019 was the lowest ratio as 9.99%

SUGGESTIONS

- The company wants to take some necessary steps to decreasing the financial liabilities
- The company should consider investing in growth opportunities that offer a good return on investment. This will help to boost the financial performance.
- Normally, a gross profit ratio around 40% to 60%. But, the company have more than 60%. It will have a chance to losing out on sales volume, so the company wants to maintain the optimum level of gross profit ratio.
- Generally, a net profit ratio around 10% to 20% It will good for the company, In that basis, the company well in manage the net profit ratio. But also the company wants to take some strategies to improve and sustain the net profit ratio.

CONCLUSION

The analysis of the company was undertaken with the help of comparative balance sheet and profitability ratios. In the analysis, I found that the company's financial performance and profitability performance are fluctuating over the years. But now the company are in the good financial position. This study reveals the findings and recommendations which would be useful for the development and improvement to the company.

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