

A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF RAMCO CEMENT LTD

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ABSTRACT

The project titled “A study on financial performance” conducted in Ramco Cement Ltd is to analyze the financial position of the Company. The objective of this project is to find out the efficiency of the Company using financial ratios like profitability ratios, turnover ratio & solvency ratio of the Company, to find out the liquidity position of the Company, to study the performance of Company through comparative analysis and to provide suitable suggestions improving the financial performance of the Company.

The project is pertained to the Company’s data available for the past five years. The conclusions are drawn from the analysis done with the ratios, comparative, common size study. The study elucidates the financial position of the Company with respect to the past five years. It helps the Company to place itself among various other competitive companies.

INTRODUCTION

Finance Statement are the basis for decision making by the management as well as other outsider who are interested in the affairs of the firm such as investors, government, creditors, customers, financial institutions, employees, potential investors, and the public. The analysis and interpretation of financial statement depend upon the nature and type of information available in these statements. These statements are used to convey to management and other interested outsiders the profitability position of a firm.

INDUSTRY PROFILE

Ramco Supergrade is produced either by grinding together Portland Cement clinker and pozzolona with addition of gypsum or calcium sulphate, or by intimately and uniformly blending Portland Cement and fine Pozzolona.

World over Ramco Supergrade is preferred due to its ability to produce a durable concrete where the life of a concrete structure is given more importance.

Ramco Supergrade produces less heat of hydration and offers greater resistance to the attack of

aggressive waters than normal Portland Cement. Moreover, it reduces the leaching of calcium hydroxide

liberated during the setting and hydration of cement.

COMPANY PROFILE

Flagship Company & Brand of the Ramco Group

The Ramco Cements Limited is the flagship company of the Ramco Group, a well-known business group of South India. It is headquartered at Chennai. The main product of the company is Portland cement, manufactured in eight state-of-the-art production facilities that includes Integrated Cement plants and Grinding units with a current total production capacity of 16.45 MTPA (out of which Satellite Grinding unit's capacity alone is 4 MTPA). The company is the fifth largest cement producer in the country. Ramco Grade is the most popular cement brand in South India. The company also produces Ready Mix Concrete and Dry Mortar products and operates one of the largest wind farms in the country.

NEED FOR THE STUDY

Financial statement analysis identifies the trends and relationship between financial statement items. Both internal management and external users of the financial statements need to evaluate a company's profitability, liquidity, and solvency. It is used for ratio analysis, trend analysis and comparative balance sheet. These methods include calculations and comparisons of the result to historical company data, competitors, or industry averages to determine the relative strength and performance of the company being analysed.

STATEMENT OF THE PROBLEM

Finance is viewed as a backbone to accelerating economic development of any country. In our present day, economic finance is the provision of money at the time when it is required. Presently a firm communicated financial information to the users through financial statement and reports. Financial statement comprises of the two most important statements, the balance sheet and profit & loss account. Being the two most important statements of the company, it can aid in improving profitability as well as liquidity without employing further resources and just streamline the existing financial system and the financial information system. Many companies do not have enough time to spend on financial analysis and consider it time consuming. Through this project we can understand the most simplest and effective methods of Financial analysis which can contribute to Company growth.

OBJECTIVES OF THE STUDY:

PRIMARY OBJECTIVE

- A Study on Financial Performance analysis of Ramco Cement Ltd

SECONDARY OBJECTIVES

- To evaluate the financial performance of Cement Industry of Ramco Ltd.
- To measure the liquidity position of Cement Corporation of Ramco Ltd.
- To analyze and measure the profitability and financial position of Ramco Cement Limited
- To analyze the overall performance of the RAMCO Cements in respect of liquidity efficiency and effectiveness in financial management.

SCOPE OF THE STUDY:

The scope of the study pertained to a financial performance of the RAMCO CEMENT LTD. This study is mainly a comparison of five years of its operations, and it aims to reveal the company standard in respect to profitability. It also extends to have a study on ratio, and comparative balance sheets.

LIMITATIONS OF THE STUDY:

- The Study is covered to the financial performance of Ramco Cement Ltd.
- The Period of the study is restricted to 5 years.
- The reliability and correctness of the study depends on the information provided on the annual reports of the company.

REVIEW OF LITERATURE:

1)Title and Author: Corporate sustainability and financial performance of the Chinese banks, Olaf weber.

Journal Name: Sustainability Accounting, Management and Policy Journal, Volume 8, Issue 3, Published 3 July 2017, ISSN: 2040-8021. pp. 358-385.

This paper analyzes the connection between the sustainability performance of Chinese banks and their financial indicators to explore whether sustainability regulations can be implemented without decreasing the financial performance of the Banking Sector.

RESEARCH METHODOLOGY**INTRODUCTION:**

Research Methodology is a systematic way of solving the problem. It includes the overall research design, the sampling procedures, data collection method and analysis procedure.

RESEARCH DESIGN:

In this study the researcher is going to analyse the financial performance by using relevant tools and techniques, analytical research design is used.

SOURCE OF THE DATA:

Secondary Data has been collected from sources like Company reports, magazine, journals, and annual reports.

TOOLS USED FOR THE STUDY:

- Ratio analysis.
- Comparative balance sheet statements.
- Bar Diagram.
- Trend Analysis.

PERIOD OF THE STUDY:

The period of the study covers 5 years from 2015-2016 to 2019-2020. The required data for the past 5 years were collected from the annual reports of the company.

DATA ANALYSIS AND INTERPRETATIONS:

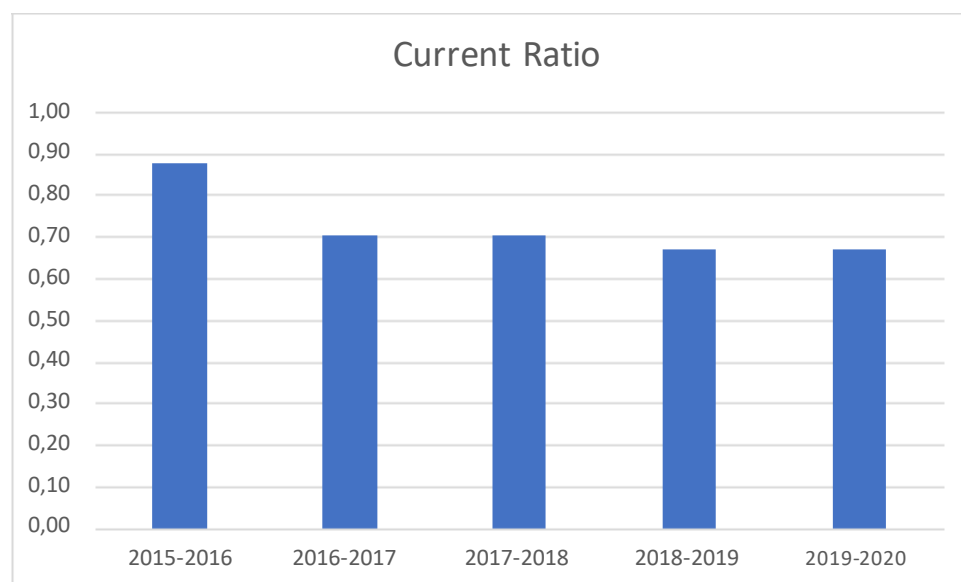
Table no: 4.1 Current Ratio: Current Assets/Current Liabilities. (In Lakhs)

Year	Current Assets	Current Liabilities	Ratios
2015-2016	130206	148438	0.88
2016-2017	141859	202053	0.70
2017-2018	129828	185089	0.70
2018-2019	137584	204772	0.67
2019-2020	156797	233395	0.67

Source of data: Company Annual Report 2015-2016 to 2019-2020.

Interpretation:

From the above table it is inferred that, the current ratio is increased in the year 2015 -2016 with 0.88. Whereas, exceptionally low in both the years of 2018-2019 and 2019-2020 with 0.67. It is noticed that year after year the Current ratio is declining.



Source of data: Company Annual Report 2015-2016 to 2019-2020

Table No: 4.2 Quick Ratio: Current Assets-Inventories/Current Liabilities (In Lakhs)

Year	Current Assets	Inventories	Current Liabilities	Ratios
2015-2016	130206	54902	148965	0.51

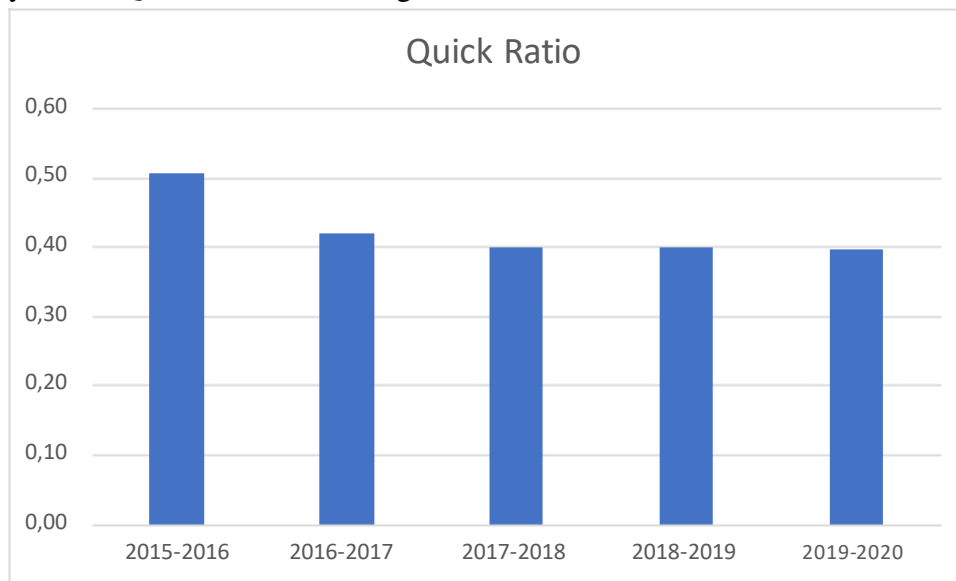


2016-2017	141859	57543	202548	0.42
2017-2018	129828	55994	185643	0.40
2018-2019	137584	55967	204772	0.40
2019-2020	156797	64526	233395	0.40

Source of data: Company Annual Report 2015-2016 to 2019-2020

Interpretation:

From the above table it is inferred that, the quick ratio is increased in the year 2015 -2016 with 0.51 whereas, exceptionally low in the following years from 2017-2020 with 0.40. It is noticed that year after year the Quick ratio is declining.



Source of data: Company Annual Report 2015-2016 to 2019-20

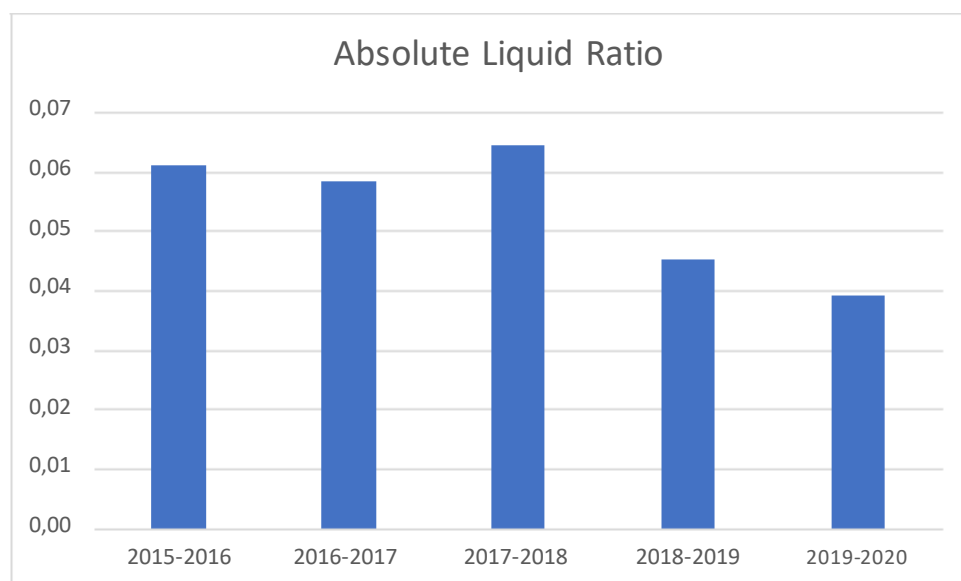
Table No: 4.3 Absolute liquid Ratio: Cash/Current Liabilities (In Lakhs)

Year	Cash	Current Liabilities	Ratios
2015-2016	9077	148438	0.061
2016-2017	11808	202053	0.058
2017-2018	11941	185089	0.065
2018-2019	9276	204772	0.045
2019-2020	9142	233395	0.039

Source of Data: Company Annual Report 2015-2016 to 2019-20.

Interpretation:

From the above table it is inferred that, the absolute liquid ratio is increased in the year from 2015 -2018 with 0.06 whereas, slightly low in the year 2019-2020 with 0.04. It is noticed that year after year the Absolute Liquid ratio is fluctuating.



Source of Data: Company Annual Report 2015-2016 to 2019-20.

Table No: 4.4 Cash ratio: Cash and Cash equivalent/Current liabilities (In Lakhs)

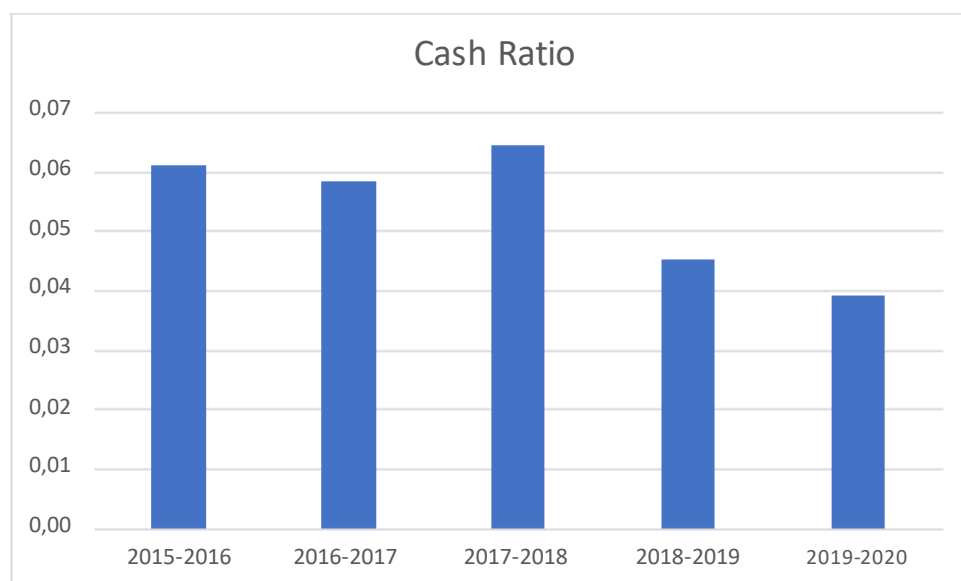
Year	Cash	Current Liabilities	Ratios
2015-2016	9077	148438	0.061
2016-2017	11808	202053	0.058
2017-2018	11941	185089	0.065
2018-2019	9276	204772	0.045
2019-2020	9142	233395	0.039

Source of Data: Company Annual Report 2015-2016 to 2019-20.

Interpretation:

From the above table it is inferred that, the cash ratio is increased in the year from 2015-2018 with 0.06 whereas, exceptionally low in the year 2019-2020 with 0.04.

It is noticed that year after year the Cash ratio is fluctuating.



Source of Data: Company Annual Report 2015-2016 to 2019-20.

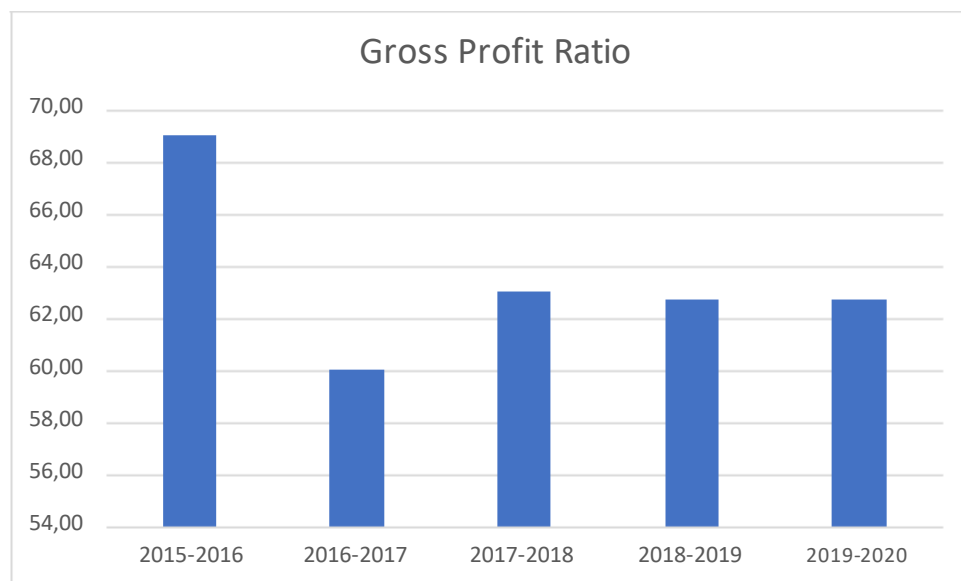
Table No: 4.5 Gross Profit Ratio: $\text{Gross profit/Sales} \times 100$ (In Lakhs)

Year	Gross Profit	Sales	Ratios (In Percentage)
2015-2016	247591	358722	69.02
2016-2017	268489	447144	60.05
2017-2018	282239	447809	63.03
2018-2019	317433	506024	62.73
2019-2020	331340	528542	62.69

Source of Data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Gross Profit ratio is increased in the year from 2015 -2016 with 69.02 whereas, exceptionally low in the year 2016-2017 with 60.05. It is noticed that year after year the Gross Profit ratio is fluctuating.



Source of Data: Company Annual Report 2015-2016 to 2019-20.

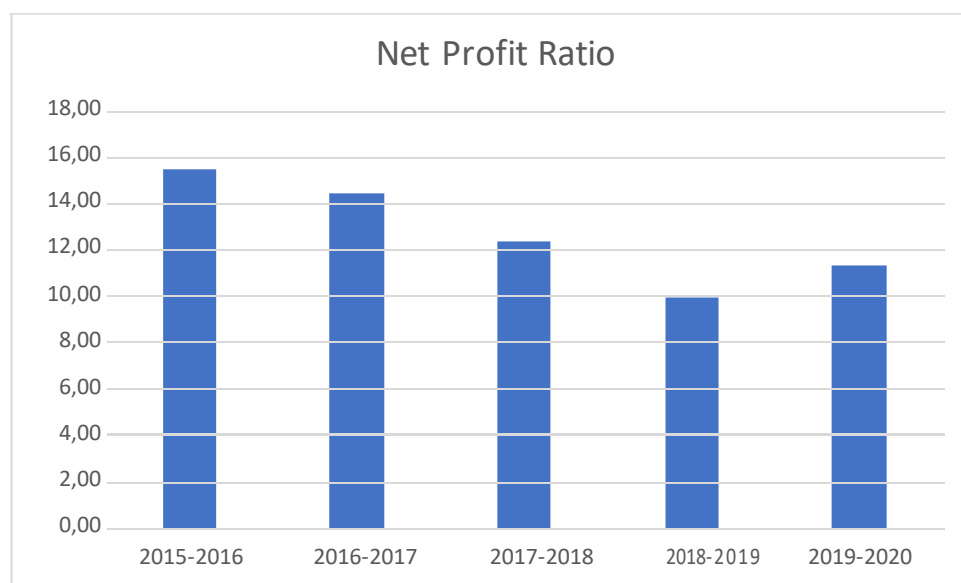
Table No: 4.6 Net Profit Ratio: $\text{Net profit/Sales} \times 100$ (In Lakhs)

Year	Net Profit	Sales	Ratios (In Percentage)
2015-2016	55826	358722	15.56
2016-2017	64929	447144	14.52
2017-2018	55566	447809	12.41
2018-2019	50589	506024	10.00
2019-2020	60109	528542	11.37

Source of data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Net Profit ratio is increased in the year from 2015-2016 with 15.56 whereas, low in the year 2018-2019 with 10.00. It is noticed that year after year the Net Profit ratio is fluctuating.



Source of data: Company Annual Report 2015-2016 to 2019-20

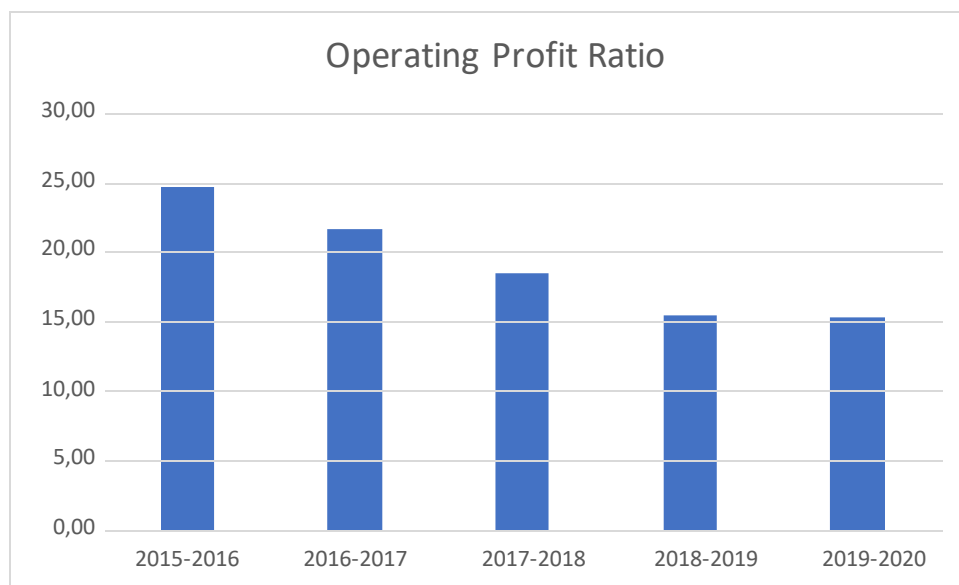
Table No: 4.7 Operating Profit Ratio: Operating profit/Sales*100 (In Lakhs)

Year	Operating Profit	Sales	Ratios (In Percentage)
2015-2016	88430	358722	24.65
2016-2017	96861	447144	21.66
2017-2018	82777	447809	18.48
2018-2019	78475	506024	15.51
2019-2020	81117	528542	15.35

Source of Data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Operating Profit Ratio increased in the year from 2019 -2020 with 15.35 whereas, exceptionally low in the year 2015-2016 with 24.65. It is noticed that year after year the Operating Profit ratio is decreasing.



Source of Data: Company Annual Report 2015-2016 to 2019-20

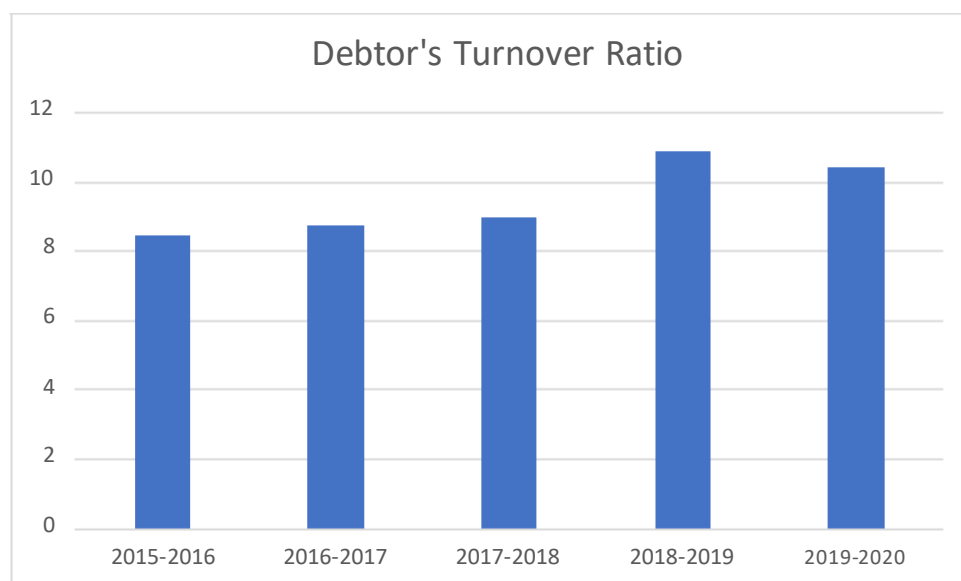
Table No: 4.8 Debtor's Turnover Ratio: Net Credit Sales/Average Trade Receivables (In Lakhs)

Year	Credit Sales	Trade Receivables	Ratios (In Times)
2014-2015		38022	
2015-2016	358722	46848	8.45
2016-2017	447144	55490	8.74
2017-2018	447809	44231	8.98
2018-2019	506024	48997	10.86
2019-2020	528542	52685	10.40

Source of data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Debtor's Turnover Ratio increased in the year from 2018-2019 with 10.86 whereas, exceptionally low in the year 2015-2016 with 8.45. It is noticed that year after year the Debtor's Turnover ratio is fluctuating.



Source of data: Company Annual Report 2015-2016 to 2019-20

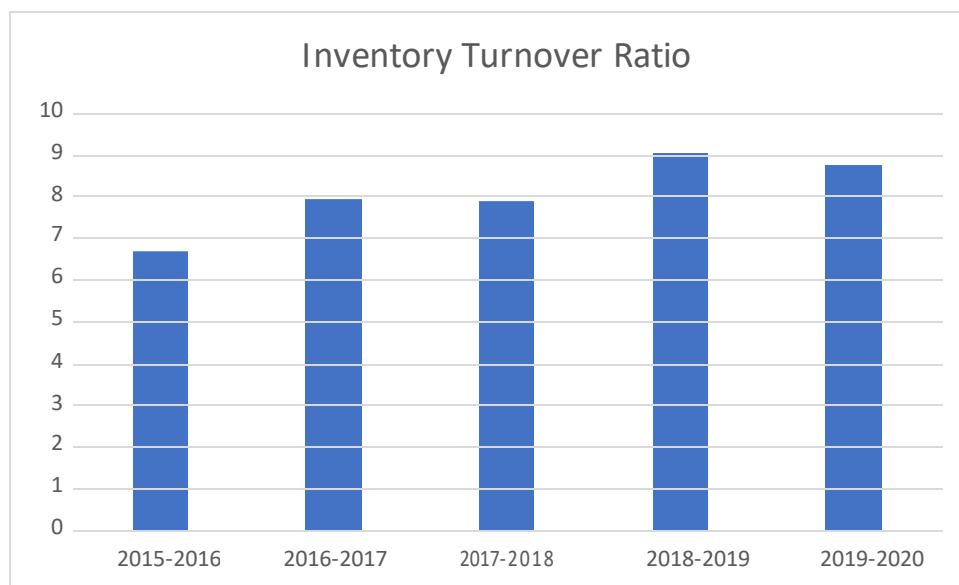
Table No: 4.9 Inventory Turnover Ratio: Sales/Average Inventories.

Year	Sales	Inventories	Ratios (In Times)
2014-2015		52058	
2015-2016	358722	54902	6.71
2016-2017	447144	57543	7.95
2017-2018	447809	55994	7.89
2018-2019	506024	55967	9.04
2019-2020	528542	64526	8.77

Source of Data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Inventory Turnover Ratio increased in the year from 2018-2019 with 9.04 whereas, exceptionally low in the year 2015-2016 with 6.71. It is noticed that year after year the Inventory Turnover ratio is fluctuating.



Source of Data: Company Annual Report 2015-2016 to 2019-20

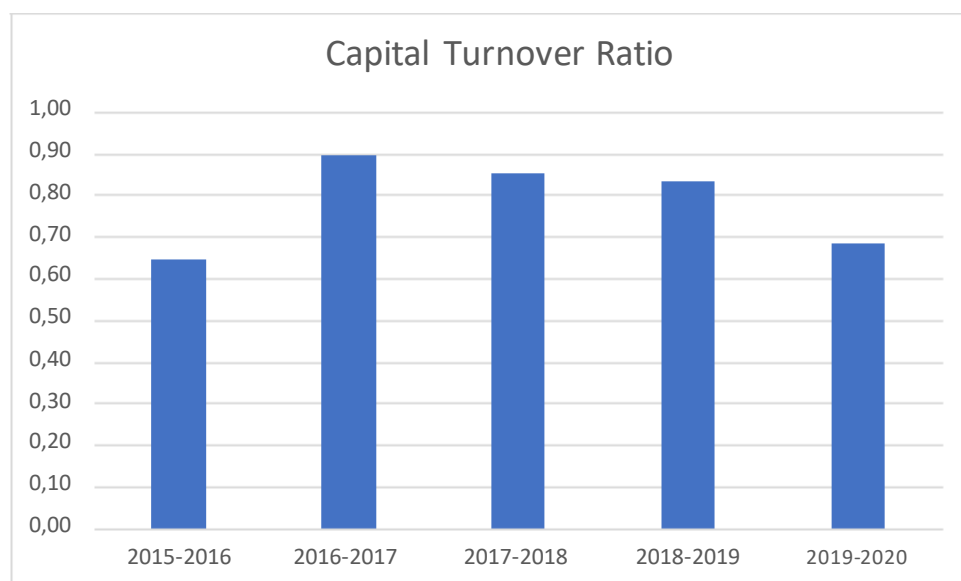
Table No: 4.10 Capital Turnover Ratio: Sales/Capital Employed.

Year	Sales	Capital Employed	Ratios (In Times)
2015-2016	358722	554079	0.65
2016-2017	447144	498837	0.90
2017-2018	447809	523953	0.85
2018-2019	506024	606049	0.83
2019-2020	528542	771305	0.69

Source of Data: Company Annual Report 2015-2016 to 2019-2020

Interpretation:

From the above table it is inferred that, the Capital Turnover Ratio increased in the year from 2016 - 2017 with 0.90 whereas, exceptionally low in the year 2015-2016 with 0.65. It is noticed that year after year the Capital Turnover ratio is fluctuating.



Source of Data: Company Annual Report 2015-2016 to 2019-2020

Table No: 4.11 Fixed Asset Turnover

Ratio: Sales/Average

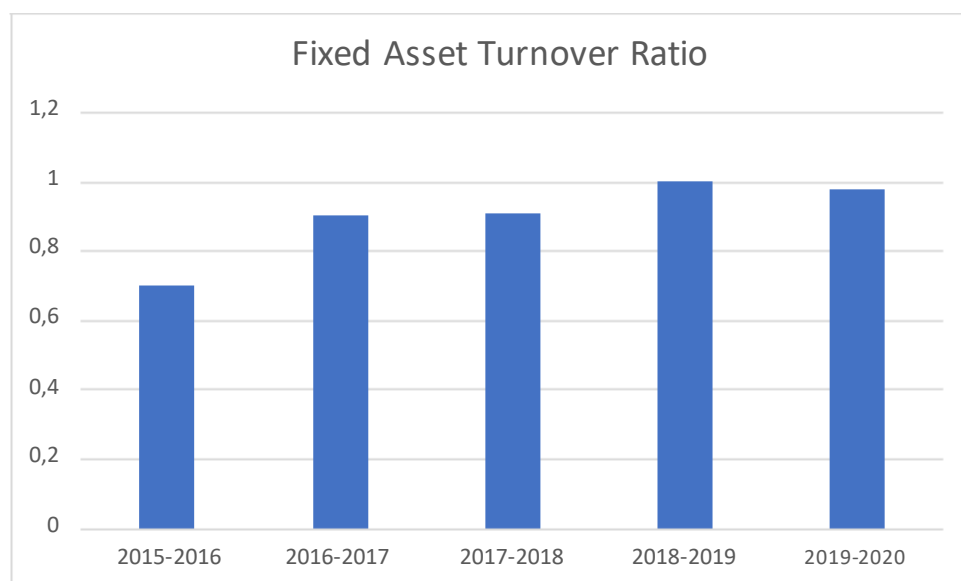
Fixed Asset.

Year	Sales	Fixed Asset	Ratios (In Times)
2014-2015		513818	
2015-2016	358722	505174	0.70
2016-2017	447144	487728	0.90
2017-2018	447809	500878	0.91
2018-2019	506024	506636	1.00
2019-2020	528542	573163	0.98

Source of Data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Fixed Asset Turnover Ratio increased in the year from 2018 - 2019 with 1.00. whereas, exceptionally low in the year 2015-2016 with 0.70. It is noticed that year after year the Fixed Asset Turnover ratio is fluctuating.



Source of Data: Company Annual Report 2015-2016 to 2019-20

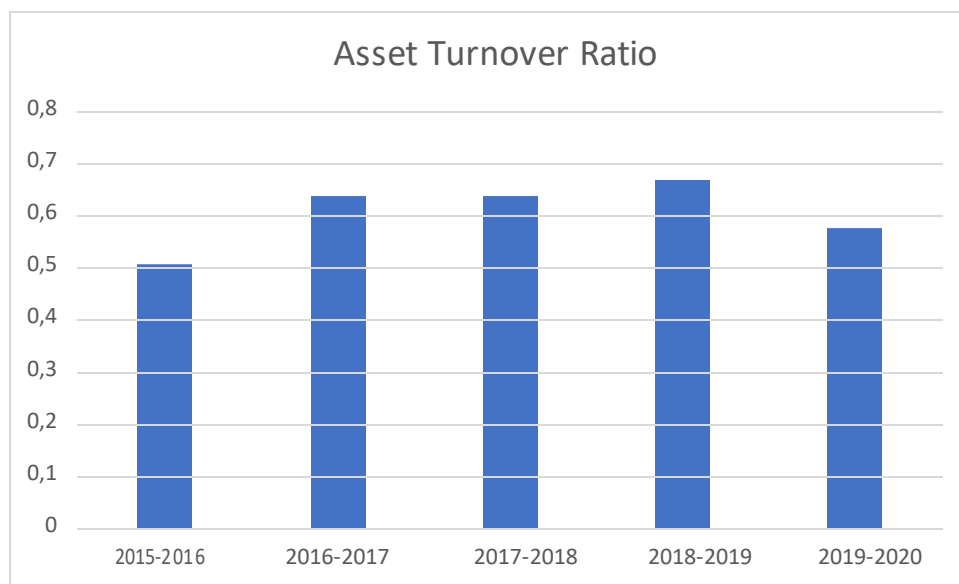
Table No: 4.12 Asset Turnover Ratio: Net sales/Average Total Assets.

Year	Sales	Average Total Assets	Ratios (In Times)
2014-2015		700160	
2015-2016	359573	702517	0.51
2016-2017	447144	700890	0.64
2017-2018	447809	709042	0.64
2018-2019	506024	810821	0.67
2019-2020	528542	1004700	0.58

Source of Data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Asset Turnover Ratio increased in the year from 2018-2019 with 0.67 whereas, exceptionally low in the year 2015-2016 with 0.51. It is noticed that year after year the Asset Turnover ratio is fluctuating.



Source of Data: Company Annual Report 2015-2016 to 2019-20

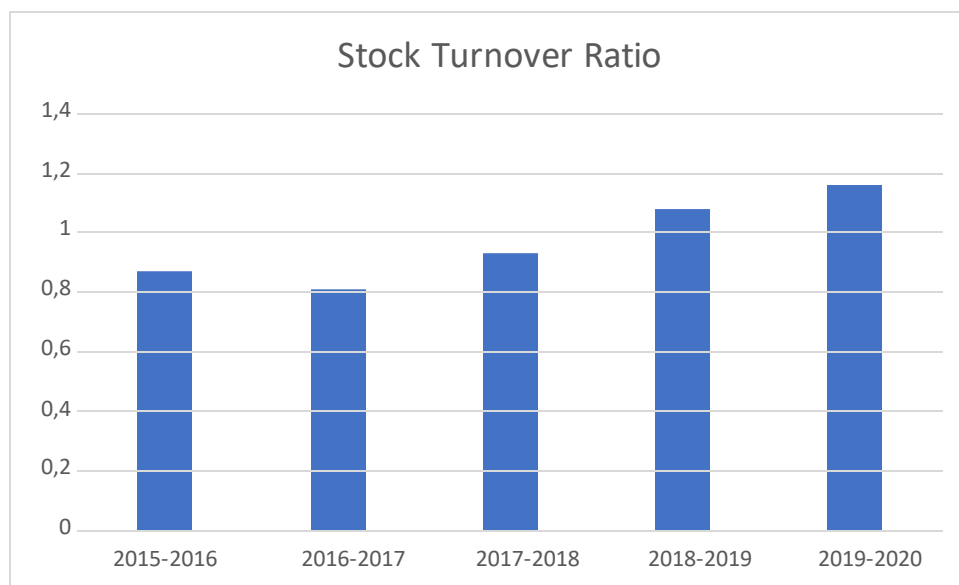
Table No: 4.13 Stock Turnover Ratio: COGS/Average Inventory

Year	COGS	Inventories	Ratios (In Times)
2014-2015		52058	
2015-2016	46410	54902	0.87
2016-2017	45279	57543	0.81
2017-2018	52942	55994	0.93
2018-2019	60507	55967	1.08
2019-2020	69806	64526	1.16

Source of Data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Stock Turnover Ratio increased in the year from 2019 -2020 with 1.16 whereas, exceptionally low in the year 2016-2017 with 0.81. It is noticed that year after year the Stock Turnover ratio is increasing.



Source of Data: Company Annual Report 2015-2016 to 2019-20

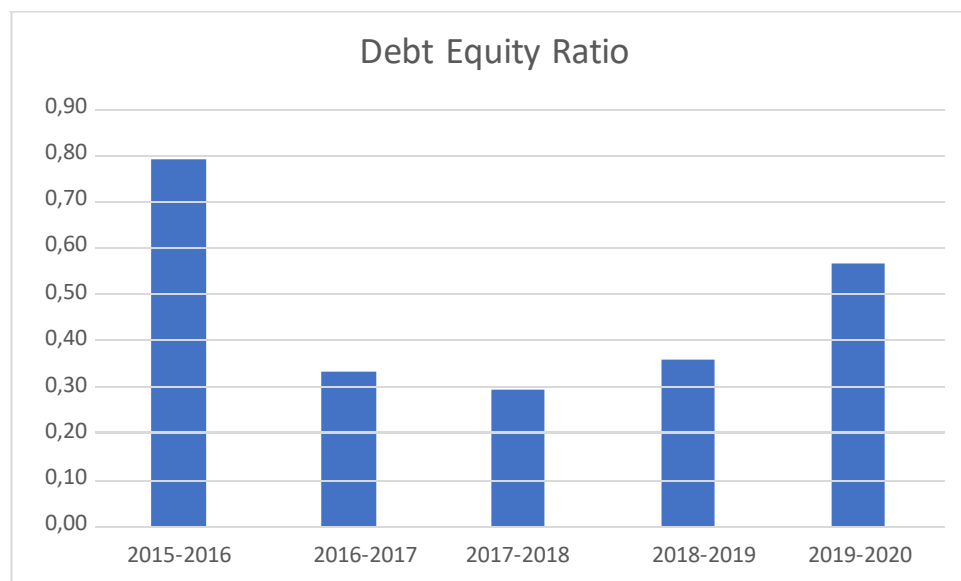
Table No: 4.14 Debt Equity Ratio: Long Term Debt/Shareholders Fund

Year	Long Term Debt	Total Shareholder's fund	Ratio (In Rupees)
2015-2016	244816	309263	0.79
2016-2017	124686	374151	0.33
2017-2018	119735	404218	0.30
2018-2019	160038	446011	0.36
2019-2020	279449	491856	0.57

Source of Data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Debt Equity Ratio increased in the year from 2015-2016 with 0.79 whereas, exceptionally low in the year 2017-2018 with 0.30. It is noticed that year after year the Debt Equity Ratio is fluctuating.



Source of Data: Company Annual Report 2015-2016 to 2019-20

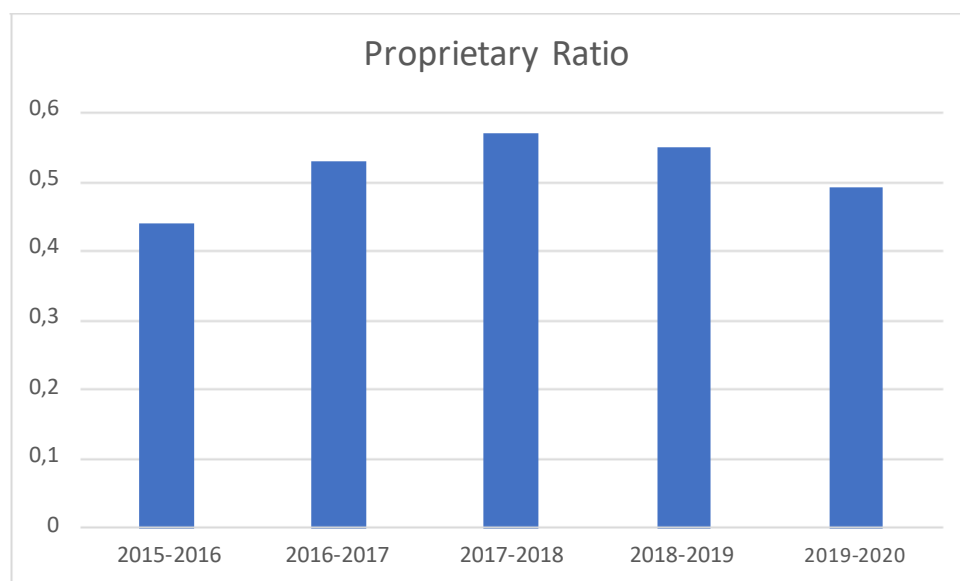
Table No: 4.15 Proprietary Ratio: Shareholders' Funds/Total Tangible Asset.

Year	Total Shareholder's fund	Total Asset	Ratios (In Rupees)
2015-2016	309263	702517	0.44
2016-2017	374151	700890	0.53
2017-2018	404218	709042	0.57
2018-2019	446011	810821	0.55
2019-2020	491856	1004700	0.49

Source of Data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Proprietary Ratio increased in the year from 2017 -2018 with 0.57 whereas, exceptionally low in the year 2015-2016 with 0.44. It is noticed that year after year the Proprietary Ratio is fluctuating.



Source of Data: Company Annual Report 2015-2016 to 2019-20

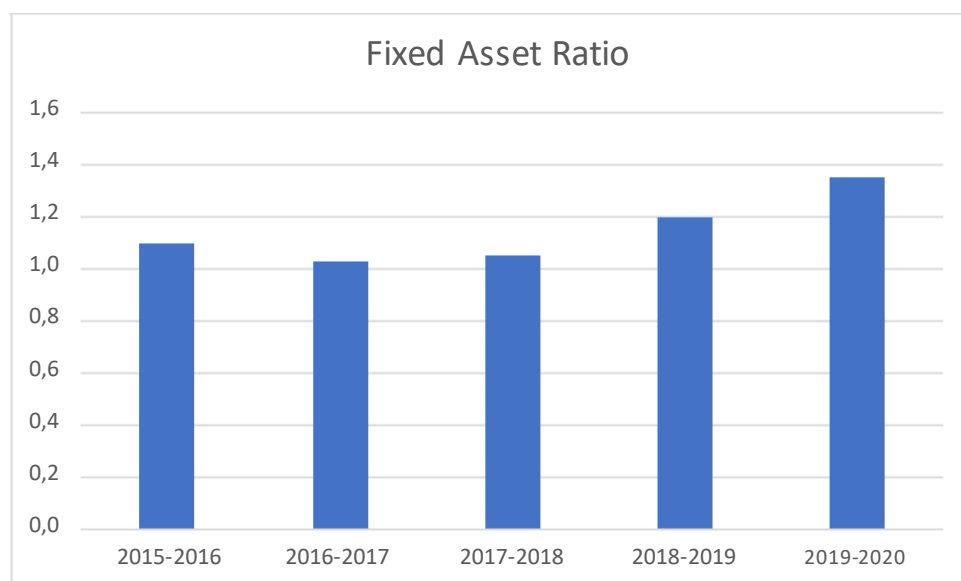
Table No: 4.16 Fixed Asset Ratio: Fixed Assets/Long Term Funds.

Year	Long Term Funds	Fixed Asset	Ratios (In Rupees)
2015-2016	554079	505174	1.1
2016-2017	498837	487728	1.0
2017-2018	523953	500878	1.0
2018-2019	606049	506636	1.2
2019-2020	771305	573163	1.3

Source of Data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Fixed Asset Ratio increased in the year from 2015 -2016 with 1.1 whereas, exceptionally low in the year 2016-2018 with 1.0. It is noticed that year after year the Fixed Asset Ratio is fluctuating.



Source of Data: Company Annual Report 2015-2016 to 2019-20

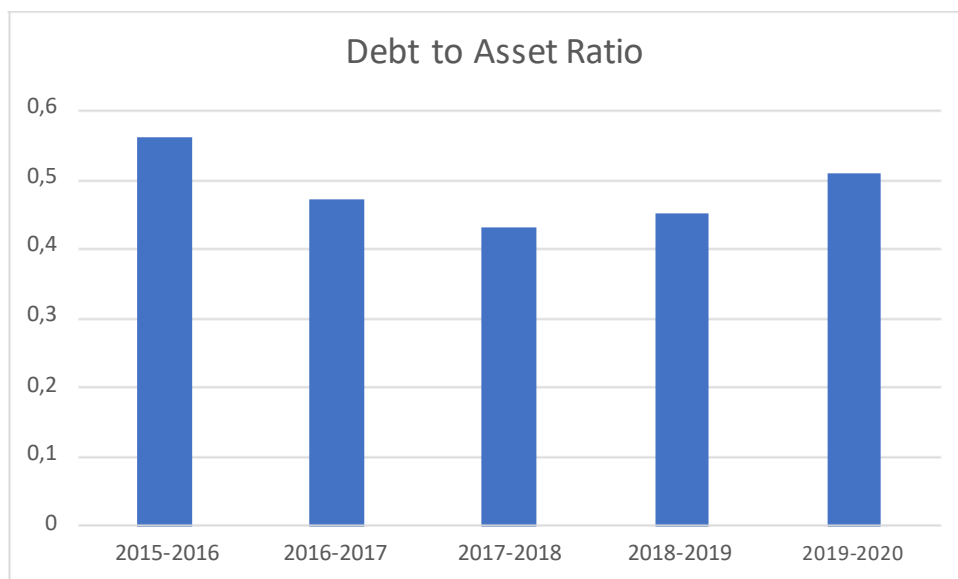
TABLE No: 4.17 Debt to Asset Ratio: Total debts/Total assets (In Lakhs)

Year	Total Debt	Total Assets	Ratios (In Rupees)
2015-2016	393254	702517	0.56
2016-2017	326739	700890	0.47
2017-2018	304824	709042	0.43
2018-2019	364810	810821	0.45
2019-2020	512844	1004700	0.51

Source of Data: Company Annual Report 2015-2016 to 2019-20

Interpretation:

From the above table it is inferred that, the Debt to Asset Ratio increased in the year from 2015-2016 with 0.56 whereas, exceptionally low in the year 2017-2018 with 0.43. It is noticed that year after year the Debt to Asset Ratio is fluctuating.



Source of Data: Company Annual Report 2015-2016 to 2019-20

FINDINGS:

- The current ratio is increased in the year 2015-2016 with 0.88. Whereas, exceptionally low in both the years of 2018-2019 and 2019-2020 with 0.67. It is noticed that year after year the Current ratio is declining.
- The quick ratio is increased in the year 2015-2016 with 0.51 whereas, exceptionally low in the following years from 2017-2020 with 0.40. It is noticed that year after year the Quick ratio is declining.
- The absolute liquid ratio is increased in the year from 2015-2018 with 0.06 whereas, slightly low in the year 2019-2020 with 0.04. It is noticed that year after year the Absolute Liquid ratio is fluctuating.
- The cash ratio is increased in the year from 2015-2018 with 0.06 whereas, exceptionally low in the year 2019-2020 with 0.04. It is noticed that year after year the Cash ratio is fluctuating.
- The Gross Profit ratio is increased in the year from 2015-2016 with 69.02 whereas, exceptionally low in the year 2016-2017 with 60.05. It is noticed that year after year the Gross Profit ratio is fluctuating.
- The Net Profit ratio is increased in the year from 2015-2016 with 15.56 whereas, low in the year 2018-2019 with 10.00. It is noticed that year after year the Net Profit ratio is fluctuating.
- The Operating Profit Ratio increased in the year from 2019-2020 with 15.35 whereas, exceptionally low in the year 2015-2016 with 24.65. It is noticed that year after year the Operating Profit ratio is decreasing.
- The Debtor's Turnover Ratio increased in the year from 2018-2019 with 10.86 whereas, exceptionally low in the year 2015-2016 with 8.45. It is noticed that year after year the Debtor's Turnover ratio is fluctuating.
- The Inventory Turnover Ratio increased in the year from 2018-2019 with 9.04 whereas, exceptionally low in the year 2015-2016 with 6.71. It is noticed that year after year the Inventory Turnover ratio is fluctuating.

- The Capital Turnover Ratio increased in the year from 2016-2017 with 0.90 whereas, exceptionally low in the year 2015-2016 with 0.65. It is noticed that year after year the Capital Turnover ratio is fluctuating.
- The Fixed Asset Turnover Ratio increased in the year from 2018-2019 with 1.00. whereas, exceptionally low in the year 2015-2016 with 0.70. It is noticed that year after year the Fixed Asset Turnover ratio is fluctuating.
- The Asset Turnover Ratio increased in the year from 2018-2019 with 0.67 whereas, exceptionally low in the year 2015-2016 with 0.51. It is noticed that year after year the Asset Turnover ratio is fluctuating.
- The Stock Turnover Ratio increased in the year from 2019-2020 with 1.16 whereas, exceptionally low in the year 2016-2017 with 0.81. It is noticed that year after year the Stock Turnover ratio is increasing.
- The Debt Equity Ratio increased in the year from 2015-2016 with 0.79 whereas, exceptionally low in the year 2017-2018 with 0.30. It is noticed that year after year the Debt Equity Ratio is fluctuating.
- The Proprietary Ratio increased in the year from 2017-2018 with 0.57 whereas, exceptionally low in the year 2015-2016 with 0.44. It is noticed that year after year the Proprietary Ratio is fluctuating.
- The Fixed Asset Ratio increased in the year from 2015-2016 with 1.1 whereas, exceptionally low in the year 2016-2018 with 1.0. It is noticed that year after year the Fixed Asset Ratio is fluctuating.
- The Debt to Asset Ratio increased in the year from 2015-2016 with 0.56 whereas, exceptionally low in the year 2017-2018 with 0.43. It is noticed that year after year the Debt to Asset Ratio is fluctuating.

SUGGESTIONS:

- The company can push its liquidity position so that it can sustain in the future.
- The company may investigate to maintain the current assets and current liabilities. This might help the company maintain an optimum liquidity ratio.
- It is suggested that the company may strongly focus on the gross profit, net profit and operation profit ratio which will make the company more profitable in the coming years.
- The company has a bright future if it concentrates more on turnover thus achieving the overall objectives of the company.
- The debt equity ratio must be concentrated for the year 2020 to the following years. The company can focus on achieving a more optimum debt equity balance.
- The company must closely monitor the proprietary ratio for the year 2020 and its following years.

- The company has increased its investment in Assets over the years. The company should make sure it does not invest too much in Non-current assets and reduce its liquidity. This might cause an imbalance in the debt equity ratio of the company.

CONCLUSION:

In this study the researcher concludes that the financial performance of the Ramco Cement Ltd is on an overall basis falling behind but not at an alarming rate. Based on the study the researcher concludes that the financial statement of the company, should focus on improving overall performance to avoid going concerns in the long-term. Besides the company provides more employment opportunities in the field of cement factories and promotes economic development.

REVIEW OF LITERATURE:

Olaf weber (2017), Corporate sustainability and financial performance of the Chinese banks, Sustainability Accounting, Management and Policy Journal, Volume 8, Issue 3, Published 3 July 2017, ISSN: 2040-8021, pp. 358-385.

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