

# A Study on Financial Analysis of UltraTech Cement Industry

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**Abstract:** *This optimization modeling took into account mixtures of primary fuel (mineral coal, pet-coke and heavy oil) and its alternative fuel which is agricultural waste (rice husk, sugar waste and ground shell). The optimization simulation models predict the cost benefit to the manufacturer using alternative fuel, environmental impact to world and finally the quality of the cement produced to the end user. The results show that the cost of cement production can be reduced by 30 to 70% with the use of alternative fuel (Rice husk, Sugar cane waste, ground nut shell) and without greatly affecting the final product. The main goal of the article is the comparison of the possible use of secondary energy products. Used fly ashes, respectively steel dusts in cement mixes derive from production in Moravian-Silesian Region. The research focused on their influence on the chemical and physico-mechanical characteristics of the fresh and solid mixture. The aim was to find suitable formulations for grouting works, highway construction possibly rehabilitation of underground cavities created by mining activities. The introduction is mentioned the history of waste utilization up to current use as a product and the overall state of the problem.*

**Keywords:** Fuel mixtures, energy consumption, cement cost, cement quality

## 1. Introduction

India is the second largest producer of cement in the world. No wonder, India's cement industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. Ever since it was deregulated in 1982, the Indian cement industry has attracted huge investments, both from Indian as well as foreign investors. India has a lot of potential for development in the infrastructure and construction sector and the cement sector is expected to largely benefit from it. Some of the recent major initiatives such as development of 98 smart cities are expected to provide a major boost to the sector. Expecting such developments in the country and aided by suitable government foreign policies, several foreign players such as Lafarge-Holcim, Heidelberg Cement, and Vicat have invested in the country in the recent past. A significant factor which aids the growth of this sector is the ready availability of the raw materials for making cement, such as limestone and coal. Cement production capacity stood at 502 million tonnes per year (mtpy) in 2018. Capacity addition of 20 million tonnes per annum (MTPA) is expected in FY19- FY 21. The Indian cement industry is dominated by a few companies. The top 20 cement companies account for almost 70 per cent of the total cement production of the country. A total of 210 large cement plants account for a cumulative installed capacity of over 410 million tonnes, with 350 small plants accounting for the rest. Of these 210 large cement plants, 77 are located in the states of Andhra Pradesh, Rajasthan and Tamil Nadu. According to data released by the Department of Industrial Policy and Promotion (DIPP), cement and gypsum products attracted Foreign Direct Investment (FDI) worth US\$ 5.28 billion between April 2000 and December 2018. In order to help the private sector companies thrive in the industry, the government

has been approving their investment schemes. Some such initiatives by the government in the recent past are as follows: In Budget 2018-19, Government of India announced setting up of an Affordable Housing Fund of Rs 25,000 crore (US\$ 3.86 billion) under the National Housing Bank (NHB) which will be utilized for easing credit to homebuyers. The move is expected to boost the demand of cement from the housing segment.

## 2. Objectives of the Study

- To know about the demand of Ultratech cement.
- To find the liquidity position of the current assets and current liabilities of the company Ultra tech cements.
- To identify the profitability status of the selected Ultratech cement.
- To study the causative factors for increased production and productivity level in each cement unit.

## 3. Review of Literature

Vijay Kumar (1992) has attempted to show in his dissertation "A study on Cement Industry in India" the primary objective of the study was to analyze region-wise and state-wise inflows and outflows of cement. He has employed trend method in order to forecast the production/demand and installed capacity. In the study it is forecasted that demand would exceed production. He has also observed that industry suffers from the inadequate supply of coal.

Susmita Das Gupta (2002) in her discussion paper, 'Globalization and cement industry', argue that threat of is not a sufficient cause to assign to the decline cement Industry. But it is because of weakening of rupee vis-à-vis the dollar. According to the author the fact that Indian

companies are unable to sell across to the developed countries is because they lack the right networking and trading arrangements. Globalization is more a matter of adequate networking as it is a matter of technology and pricing. Thus, the role of globalization is highlighted in achieving a good performance in cement industry in India. Finally the author suggested keeping liberalization alive without globalization.

Seref Saygili and Erol Taymaz (2002), have examined on assumption that privatization is pressed as a necessary condition for the creation of ' free market economy ' in which private firms, free from arbitrary political intervention, supply producers and services efficiently.

#### 4. Profile of the Company

The Aditya Birla Group has renamed L&T Cement, which it had earlier acquired from Larsen & Toubro, as 'UltraTech', making it the third big cement brand of the flagship Grasim Industries. "Nothing has changed except the name. What essentially was earlier L&T Cement has now become UltraTech Cement," said Mr O.P. Puranmalka, Chief Marketing Officer of UltraTech Cement Ltd, the erstwhile cement division of L&T. "The quality, the technology, the plants and the people remain the same as before," he said here at a press conference. L&T had earlier demerged its cement division to create UltraTech Cem Co Ltd. Grasim acquired a majority stake in the company for around Rs 2,200 crore. Subsequent to this, Grasim, which has cement brands such as Birla Plus and Birla Super, was allowed to use the L&T Cement brand till March 31, 2005. However, the company decided not to use the L&T Cement brand anymore and instead has now chosen the UltraTech brand, Mr Puranmalka said. Along with Birla Plus and Birla Super, UltraTech will be positioned as a national brand, he said. He said Grasim opted to introduce the new brand to replace L&T Cement, rather than merging it with the existing Birla cement brands, in order to leverage on the premium value the L&T brand enjoyed. "We did not want to lose out on the brand value," Mr Puranmalka said, adding that UltraTech has over 5,500 stockiest and authorized dealers, as well as several thousand retailers across the country. The Aditya Birla Group Chairman, Mr Kumar Mangalam Birla, recently said that the company would invest Rs 200 crore in UltraTech to generate around 2.5 million tonnes of capacity through modernizing and streamlining the facilities. The Group now has over 31 million tonnes per annum (TPA) of cement production capacity, of which 17 million TPA comes from UltraTech. This makes the Group

the eighth largest cement manufacturer in the world. Insider Ownership of UltraTech Cement While the precise definition of an insider can be subjective, almost everyone considers board members to be insiders. Management ultimately answers to the board. However, it is not uncommon for managers to be executive board members, especially if they are a founder or the CEO. Insider ownership is positive when it signals leadership are thinking like the true owners of the company. However, high insider ownership can also give immense power to a small group within the company. This can be negative in some circumstances. Our information suggests that UltraTech Cement Limited insiders own less than 1% of the company. But they may have an indirect interest through a corporate structure that we haven't picked up on. Being so large, we would not expect insiders to own a large proportion of the stock. Collectively, they own ₹711.7m of stock. In this sort of situation, it can be more interesting to see if those insiders have been buying or selling. General Public Ownership With a 18.1% ownership, the general public have some degree of sway over ULTRACEMCO. While this size of ownership may not be enough to sway a policy decision in their favour, they can still make a collective impact on company policies.

Public Company Ownership We can see that public companies hold 60.8%, of the ULTRACEMCO shares on issue. This may be a strategic interest and the two companies may have related business interests. It could be that they have de-merged. This holding is probably worth investigating further. It's always worth thinking about the different groups who own shares in a company. But to understand UltraTech Cement better, we need to consider many other factors.

#### Sampling Method

The study is based on convenience sampling method.

#### 5. Period of the Study

The period of this study covered five years from 2014-15 to 2018-19.

#### 6. Data Collection

The data used in this study are secondary in nature which contains the Financial data and profile of the Companies.

Table 1

| Ratio Analysis of Ultratech Cement |          |          |          |          |          |          |
|------------------------------------|----------|----------|----------|----------|----------|----------|
| Year                               | CR       | QR       | DER      | NP       | INV.R    | ATR      |
| 2014-15                            | 0.9      | 0.59     | 0.35     | 73.42    | 8.34     | 65.13    |
| 2015-16                            | 0.86     | 0.66     | 0.23     | 86.37    | 10.41    | 61.91    |
| 2016-17                            | 1.55     | 1.27     | 0.22     | 95.72    | 10.74    | 60.82    |
| 2017-18                            | 0.96     | 0.68     | 0.64     | 81.25    | 9.61     | 54.78    |
| 2018-19                            | 0.97     | 0.69     | 0.63     | 81.25    | 9.61     | 61.09    |
| MEAN                               | 1.048    | 0.778    | 0.414    | 83.602   | 9.742    | 60.746   |
| STD.DEV                            | 0.284201 | 0.277795 | 0.208159 | 8.204338 | 0.927723 | 3.751377 |
| COFF.                              | 0.271184 | 0.357063 | 0.502799 | 0.098136 | 0.095229 | 0.061755 |

Source: Primary Data

## Interpretation

The table-1 shows the year of current ratio, quick ratio and debt equity ratio. All are in a level of increasing. Net profit ratio level is in satisfactory. Inventory ratio and asset turnover ratio was to the satisfactory position. Standard deviation is always in positive position at level of Mean. Coefficient of variance is also in a satisfaction position of Ultratech cement.

**Table 2**

| Ratio Analysis of Ultratech Cement |              |              |              |              |              |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Year                               | FATR         | DPR          | DTR          | LDER         | RCMR         |
| 2014-15                            | 0.97         | 7.84         | 18.47        | 0.24         | 7.62         |
| 2015-16                            | 0.91         | 7.99         | 18.11        | 0.12         | 8.78         |
| 2016-17                            | 0.86         | 6.69         | 17.76        | 0.18         | 13.96        |
| 2017-18                            | 0.83         | 6.87         | 19.92        | 0.54         | 10.88        |
| 2018-19                            | 0.81         | 0            | 18.73        | 0.53         | 10.69        |
| MEAN                               | 0.876        | 5.878        | 18.598       | 0.322        | 10.386       |
| STD.DE<br>V                        | 0.05782<br>7 | 2.98343      | 0.73781<br>8 | 0.17803<br>4 | 2.16055<br>2 |
| COFF.                              | 0.06601<br>3 | 0.50755<br>9 | 0.03967<br>2 | 0.5529       | 0.20802<br>5 |

Source: primary Data

## Interpretation

The table-2 shows the ratio analysis of Ultratech cement. Fixed asset turnover ratio and debtors turnover ratio is satisfaction level of position. Dividend payout ratio is a declined position. Return on capital employment is a satisfactory. Standard deviation and coefficient of variance of satisfactory is in stage.

## Findings

- 1) From the above data analysis it has been found that, the companies' profitability ratio is satisfied.
- 2) Both turnover ratios are satisfactory.
- 3) Position funds should be utilized properly.
- 4) Better Awareness to increase the sales is suggested.
- 5) Cost cut down mechanics can be employed.
- 6) Better production technique can be employed.

## 7. Conclusion

Financial ratios are essentially concerned with the identification of significant accounting data relationships, which give the decision into the financial performance of a company. The analysis of financial statements is a process of evaluating the relationship of component parts of financial statements to obtain a better understanding of the firm's position and performance.

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## List of Abbreviation

CR - CURRENT RATIO  
 QR - QUICK RATIO  
 DER - DEBIT EQUITY RATIO  
 NP - NET PROFIT RATIO  
 INVTR - INVENTORY TURNOVER RATIO  
 ATR - ASSET TURNOVER RATIO  
 STDV - STANDARD DEVIATION  
 COVAR - COFFICIENT OF VARIATION  
 RCM - RETURN ON CAPITAL EMPLOYMENT  
 FATR - FIXED ASSET TURNOVER RATIO  
 LTDR - LONG TERM DEBT EQUITY RATIO  
 DTR - DEBTORS TURNOVER RATIO  
 DPR - DIVIDEND PAYOUT RATIO