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Research Paper

A Study of Financial Performance of J.K. Cement

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ABSTRACT

India is the second largest producer of cement in the world. There is no doubt that Indian cement industry plays a very important role in development of economy as well as provides employment, directly or indirectly. The financial statement gives a brief view of the financial position and operational efficiency of the business concern. The focal point of financial analysis is on figures and establishes the relationship with them. If the users of the financial statements are not able to analyze and interpret the data, financial statements have no meaning. The present study was done for the period of five years from 2013 to 2017. J.K. Cement was selected as sample for the study. Ratio analysis technique was used for fulfilling the objective and it was found that J.K. Cement Company was suffering from low level of liquidity and have large amount of debt in its capital structure and from the year 2016 to 2017, it has made good growth in sale, net profit and earnings per share ratio.

Key Words- Cement, Financial Analysis, Ratio Analysis

INTRODUCTION

India is the second largest producer of cement in the world. [1] There is no doubt that Indian cement industry plays a very important role in development of economy as well as provides employment, directly or indirectly. India has a lot of scope for development in the sector of infrastructure and construction and the cement sector is expected to largely benefit from it. 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. [2]

The investors and various sections of the society are concerned about knowing the various information related to present financial position as well as future prospects of the organizations. Many people are directly or indirectly related to the organization at present and the other person wants to make a relationship with an organization. People have to decide whether they should keep the relation should build stronger relation or should discontinue the existing relation with the company. The financial statement gives a brief view of the financial position and operational efficiency of the business concern. The focal point of financial analysis is on figures and establishes the relationship with them. If the users of the financial statements are not able to analyze and interpret the data, financial statements have no meaning. [3]

OBJECTIVE OF THE STUDY

1. To analyze the financial position of selected company.

REVIEW OF LITRATURER

1. P. Kalaivani, C. V. Umamaheswari, & Dr. K. Jothi, 2018: The authors have done their study on comparative financial analysis of Tata Motors and Mahindra and Mahindra Motors. They found that financial position of Mahindra and Mahindra Company is better than Tata Motors. They also suggested that sales of MAHINDRA AND MAHINDRA motors have to be

controlled in order to increase their net profit.

2. Mathur Shivam, Agarwal Kirti, 2016: The authors have done their study for three years from 2012-2014 on comparative financial analysis of Tata Motors and Maruti Suzuki. They used ratio analysis technique and found that sale; gorss profit of Maruti Suzuki is more than Tata Motors and using lower debt.

➢ RESEARCH METHDOLOGY

Research simply means to search out for knowledge and findings. It is structured search for obtaining information on a particular problem

❖ SAMPLE FOR STUDY & TYPE OF RESEARCH

The present research study is analytical in nature. The analytical research is the type of research, where the researcher has to apply the information and facts which previously existed and investigate this information for making a critical evaluation. The Random sampling method was used for taking samples for the study. J.K. Cement was selected as sample for the study. The study is done for the period of five years only.

❖ DATA COLLECTION AND SCOPE OF THE STUDY

There are six banks selected for the research study and the study is restricted to those banks only. The analysis done for the study is based on the secondary data only, as the data are taken from Annual Reports, Money Control, and moneyrediff websites were also used.

❖ TOOLS FOR THE STUDY

Ratio analysis technique was used in order to fulfil the objective of the study. According to Robart N. Anthony Ratio analysis are simply one number expressed in number of one another.

❖ DATA ANALYSIS

CURRENT RATIO

Year	Ratio
2013	1.15
2014	1.32
2015	1.22
2016	1.29
2017	1.19

The above table shows the current ratio of selected company. Current ratio shows the relationship between current assets and current liabilities and standard current ratio is 2:1. Here, current ratio shows functions in study period. In the study period it was found that ratio is below the standard, it means J.K. Cement is facing the problem of liquidity but is able to fulfill its short term liabilities.

❖ QUICK RATIO

Year	Ratio
2013	.75
2014	.73
2015	.78
2016	.78
2017	.71

The above table shows the quick ratio of selected company. Quick ratio shows the relationship between quick assets and current liabilities. The standard quick ratio is 1:1. This ratio is most reliable tool for analyzing the liquidity of firm and shows the ability of firm to pay its current liabilities through its quick assets. [4] By analyzing the above table, it was found that ratio of J.K.Cement is below the standard. It implies that company is highly depended upon the inventory for paying off its current liabilities.

❖ DEBT-EQUITY RATIO

Year	Ratio
2013	.78
2014	1.42
2015	1.47
2016	1.46
2017	1.29

The above table shows the Debt-Equity ratio of selected company. Debt Equity ratio shows the long term solvency position of firm. The above said ratio shows the proportion of equity fund and debt fund used to finance company assets. The standard Debt-Equity ratio is .05:1. The above table revels that debt equity ratio is more than the standard, which is not good sign for J.K.Cement and stats that J.K.Cement is using more debt fund in comparison to owners fund, which may create a chance of bankruptcy for it.

❖ INVENTORY TURNOVER RATIO

Year	Ratio
2013	6.31
2014	5.16
2015	6.57
2016	7.51
2017	8.8

The above table shows the inventory turnover ratio of selected company. This ratio shows the ability of company to covert its stock into sale. [5] Normally higher ratio is preferred, as high ratio shows that company is aggressive in converting its stock into sale. By analyzing the above table, it is found that ratio is showing fluctuations in the year 2014. After the year 2014, its shows regular increasing trend. It means J.K.Cement's sale is increasing year by year which is good sign and increase the revenue of company.

❖ RETURN ON CAPITAL EMPLOYED

Year	Ratio
2013	7.78
2014	2.35
2015	3.71
2016	2.25
2017	5.51

Return on capital employed is a tool which is used to find out the how efficiently company is generating profit from its capital employed. It is long term profitability shows which shows how effectively assets are performing while taking into consideration long term financing. [6] By analyzing the above table, it was found that the ratio was 7.78 in the year 2013 and decreased to 2.25 in the year 2016 but in the year 2017 it increased to 5.51. It implies that from the year 2016 to 2017, J.K.Cement had done work effectively and utilized its capital in very effective and optimum way.

❖ NET PROFIT RATIO

Year	Ratio
2013	8.02
2014	3.47
2015	4.68
2016	2.85
2017	5.87

Net Profit ratio shows the relationship between net profit after tax and net sale of a firm. It is a best tool which analyzes the overall performance of firm. Higher ratio is beneficial for company because it indicates effective and efficient management of business affairs. By analyzing the above table, it was found that ratio was 8.02 in the year 2013 and decreased to 2.85 in the year 2016 after that in the year 2017 it increased to 5.87. It implies that J.K.Cement is earning more profit in the year 2017 in comparison to the year 2016.

❖ EARNING PER SHARE RATIO

Year	Ratio
2013	33.40
2014	13.88
2015	22.44
2016	14.52
2017	37.12

Earnings per share ratio measure how much part of net income has been earned by each share. [7] By analyzing the above table, it was found that earning per share ratio shows a fluctuation in the study period. It decreased in the year 2014 and 2016.

➢ CONCLUSION

In the study period, it was found that current ratio and quick ratio is below the standard, it means J.K.Cement is facing the problem of liquidity but is able to fulfill its short term liabilities. On the other hand, debt equity ratio is more than the standard, which is not good sign for J.K.Cement and stats that J.K.Cement is using more debt fund in comparison to owner's fund, which may create a chance of bankruptcy for it. Inventory turnover ratio is showing fluctuations in the year 2014. After the year 2014, its shows regular increasing trend. It means J.K.Cement's sale is increasing year by year which is good sign and increase the revenue of J.K.Cement. By analyzing capital employed ratio, it was found that the ratio was 7.78 in the year 2013 and decreased to 2.25 in the year 2016 but in the year 2017 it increased to 5.51. It implies that from the year 2016 to 2017, company had done work effectively. By analyzing the net profit ratio, it was found that ratio was 8.02 in the year 2013 and decreased to 2.85 in the year 2016 after that in the year 2017 it increased to 5.87. It implies that company is earning more profit in the year 2017 in comparison to the year 2016. Earnings per share ratio shows a fluctuation in the study period. It decreased in the year 2014 and 2016. By analyzing the net profit ratio and earnings per share ratio, it was found that from the year 2016 to 2017, company made high profit.

➢ SUGGESTIONS

- J.K.Cement should try to reduce the level of debt in its capital structure.
- J.K.Cement can issue new shares in order to increase the liquidity or cash. This cash can be used for paying off the existing debts, which will reduce the cost of the debt and also improve the debt to total assets ratio.
- J.K.Cement should review its cost of capital from time to time in order to make its capital structure at optimum level.
- Restructuring debt strategy can also be adopted by company. If the company was largely financed at a higher rate of interest and a current interest rate is lower, the company can seek to refinance its existing debt at a lower rate. This will reduce its overall cost and may lead to the profitability.
- J.K.Cement should try to increase its currents assets in order to pay off its current liabilities.
- J.K.Cement should try to decrease the expenses and increase income in order to improve its net profit ratio.
- Faster collection of money from debtor can improve the current ratio. So J.K.Cement should try to decrease debtor collection period which in result increase liquidity.
- Quantum of cash can be increased by selling fixed assets which are not in usable condition. The money is unnecessarily blocked and idle money accrues interest cost.
- J.K.Cement should try to improve earnings per share ratio which can be done by increasing profit and will also increase the value of share.

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