

EVALUATION OF PERFORMANCE OF INDIA CEMENTS THROUGH CONSOLIDATED FINANCIAL SCORE MODEL

Submitted in partial fulfilment of the requirements for the award
of

MASTER OF BUSINESS ADMINISTRATION

by

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Register No. - 40410117



SCHOOL OF MANAGEMENT STUDIES

SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

Accredited with Grade "A" by NAAC I 12B Status by UGC I

Approved by AICTE

**JEPPIAAR NAGAR, RAJIV GANDHI SALAI,
CHENNAI - 600 119**

APRIL 2022



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **PAVAN KUMAR.T. R (40410117)** who carried out the project entitled “**Evaluation of performance of INDIA CEMENTS through Consolidated financial score model**” under my supervision from January 2022 to March 2022.

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**Submitted for Viva voce Examination held
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DECLARATION

I **PAVAN KUMAR. T.R (40410117)** hereby declare that the Project Report entitled “**Evaluation of performance of INDIA CEMENTS through Consolidated financial score model**” done by me under the guidance of **Dr. THAMILSELVAN.R M.Com., M.B.A, M.Phil., B.Ed., Ph.D., Associate Professor, Department of Management Studies at SATHYABAMA INSTITUTE OF SCIENCE AND TECHNOLOGY, CHENNAI** is submitted in partial fulfilment of the requirements for the award of Master of Business Administration degree.

DATE:

PLACE:

PAVAN KUMAR. T. R

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CHAPTER 1

INTRODUCTION

Financial measures are commonly used to evaluate the future or the current status of a manufacturing company in terms of profitability. The Performance Measurement Model (PMM) is used to obtain an overall performance score by measuring the success of a manufacturing companies in its operational activities.

The developed PMM measures a company's level of performance in critical dimensions and combines those performance scores to obtain a ranking score. A set of critical dimensions and their sub-components is fully defined, and performance scorecards are developed to guide the assignment of performance scores.

Performance scores are assigned according to the level of intensity of a manufacturing company's investments, practices, actions or infrastructures in the critical dimensions. It is the process of collecting, analyzing and reporting information regarding the performance of an individual, group, organization, system or component.

Measuring key objectives involves -the comparing performance with the vital elements of a job description. For example,

A delivery worker's goals would include

- On-time delivery,
- Low breakage,
- Positive customer interaction and
- A clean driving records.

Performance measures can be grouped into two basic types:

1. Which are related to results (outputs or outcomes such as competitiveness or financial performance).
2. Focus on the determinants of the results (inputs such as quality, flexibility, resource utilization, and innovation).

Performance measures such as improvement in individual, group, or organizational performance cannot occur unless there is some way of getting performance feedback.

Feedback is having the outcomes to work communicated to the employee, work group, or company. For an individual employee, performance measures create a link between their own behavior and the organization's goals.

Performance measurement is generally defined as regular measurement of outcomes and results, which generates reliable data on the effectiveness and the efficiency of programs.

INDUSTRY PROFILE

CEMENTINDUSTRY:

The cement industry has seen a very big growth in recent years due to increasing demand for cement, from

- Industrial activities
- Real Estate business,
- Construction and
- Continued government investment in the infrastructure sector.

CEMENT:

Cement is a binder that sticks firmly to the different materials together and hardens autonomously. It refers as a basic ingredient in the Construction Industry.

PROCEDURE:

Cement is produced from limestone, shell, clay which is dig out of a quarry close to the plant. The raw material is crushed, and then heated at temperature in excess of 1000°C in rotating kiln to convert it into clinker is blended with gypsum and then ground to a fine powder to get the final grade of cement.

Almost all the cement consignments go to ready-mix concrete operators and then the remaining are sent to manufacturers of concrete related products, contractors, materials dealers, oil well/mining/drilling companies, as well as government bodies.

TYPES:

In construction, cement is differentiated as hydraulic or non- hydraulic. Hydraulic cements are not water-soluble and are able to harden even underwater due to hydration and the chemical reactions that occur independently of the mixture's water content, for example: Portland cement, which is the most widely consumed cement variety across the world. While non-hydraulic cements must be kept dry in order to retain their strength, for **example:** Gypsum plaster.

WORLDWIDE CEMENT PRODUCTION:

The production of cement is rapidly increasing in the world day by day. It had increased by 50% in the last decade. The growth is seen due to the strong development of cement industry in Asia. In 2003, 1940 million tons of cement were produced around the world of which totaled 67% was from Asia. Thus, Asia is the largest cement production around the world.

CEMENT COMPANY IN INDIA:

India is the world's second largest cement producer after China. It is the home to a number of top cement companies. Where the various infrastructure projects, road networks and housing projects are coming up, in which many of them are backed by the government.

The cement industry in India is growing at a great pace these days with the capacity of 180.2 million Tones (MT).

The India cement industry is truly big in size and hence accommodates a number of cement companies in the market. Not only that, more growth is further expected in the coming years, which will also lead to the growth of top cement companies in India.

LIST OF TOP 10 CEMENT COMPANIES IN INDIA:

- ACC Limited
- Ambuja Cements Limited
- Ultra Tech Cement Limited
- India Cement Limited
- Shree Cement Limited
- Rain Cement Limited
- Prism Cement Limited
- Madras Cement Limited
- Birla Cement Limited
- JK Cement Limited

VARIETIES OF CEMENT IN INDIA:

The booming cement industry in India is well recognized for producing vast varieties of cement that conforms to the Bureau of Indian Standards (BIS).

Some of the types of cement in India that boast of good demand in the market are:

- **Portland Blast Furnace slag cement (PBFSC):**

The rate of hydration heat is found lower in this type of cement in comparison to PPC which is most useful in massive construction projects, for example – dams.

- **Sulphate Resisting Portland Cement:**

This cement is beneficial in the areas where the concrete has an exposure to seacoast or sea water or soil or ground water. Under any of those such instances, the concrete is vulnerable to sulphates attack in large amounts and can cause damage to the structure. Hence, by using this cement one can reduce the impact of damage to the structure. This cement has high demand in India.

- **Rapid Hardening Portland Cement:**

The texture of this cement type is quite similar to that of OPC. But it is bit finer than OPC and possesses immense compressible strength, which makes the casting work easy.

- **Ordinary Portland Cement (OPC):**

It is also known as grey cement or OPC, where it is more used in ordinary concrete construction. For the production of this type of cement in India, Iron (Fe_2O_3), Magnesium (Mg), Silica (SiO_2), Alumina (Al_2O_3) and Sulphur trioxide (SO_3) components are used.

- **Portland Pozolona Cement (PPC):**

As it prevents cracks, it is mostly useful in the casting work of huge volumes of concrete. The rate of hydration heat is lower in this cement type. Fly ash, Coal waste or burnt clay is used in the production of this category of cement. It can be availed at low cost in comparison to OPC.

- **Oil Well Cement:**

This type of cement is made up of iron, coke, limestone and iron scrap. Oil Well Cement is used in constructing or fixing the oil wells. This is applied on both the off-shore and on-shore of the wells.

COMPANY PROFILE

India Cements Ltd was founded in the year 1946. The company brands include

- Sankar super Power
- Coromandel King and
- Raasi Gold.

These brands are also available under the sub brands, such as Shankar Shakti and Coromandel Super Power.

The Company's plants are located in various parts of the locations in India, including Malkapur, Vishnupuram, Chilamkur, Yerraguntla, Vallur, Sankari, Dalavoi, Sankarnagar, Banswara and Parli. The Company is based on customer requirement and also supplies its brands in high-density Polyethylene (HDPE), Paper and laminated packing.

India Cements produces both the variants.

- Blended Cement and
- Ordinary Portland Cement under different grades.

The Company's subsidiaries include ICL Securities Ltd., ICL Financial Services Ltd., Industrial Chemicals & Monomers Ltd. and India Cements Infrastructures Ltd. In the year 1949 the company had commissioned their first Cement plant at Sankarnagar with the installed capacity 1 lakh tonnes per annum.

In the year 1963 they had commissioned their second cement plant at Sankardrug with the installed capacity 2-lakh tonnes per annum. Since then, it has grown in stature to seven plants spread over Tamilnadu and Andhra Pradesh. Sankar Cements and Coromandel Cement are the brands used by ICL to market their product.

The India Cements Ltd. is indeed a pioneer enterprise during the post-independence era to become a public limited company. The first annual report was appeared on 21.4.1947. The company's prospectus was favorably received and the public issue was oversubscribed.

India cements Ltd was founded in the year 1946 by two men, Shri S N N Sankaralinga Iyer and Sri T S Narayana swami. They had the vision to inspire dreams for an industrial India, the ability to translate those dreams into reality and the ability to build enduring relationships and the future. From a two-plant company having a capacity of just 1.3 million tons in 1989, India Cements has robustly grown in the last two decades to a total capacity of 15.5 million tons per annum. After the approval of a Scheme of Amalgamation and arrangement between Trinetra Cement Ltd and Trishul Concrete Products Ltd with The India Cements Ltd, all the cement assets have come under one roof - India Cements.

➤ **MISSION AND VISION STATEMENT FOR INDIA CEMENTS:**

VISION:

- To create value on a sustained basis for all stakeholders of India Cements through lofty standards of transparency, accountability and responsibility, innovation and leadership in cement manufacture.

MISSION:

- India cements will strive to remain a leader in the manufacture of cement and establish itself as a preferred supplier of products and services to its clients and enhance the brand value for all stakeholders.
- As the organization grows, as a responsible corporate citizen, India Cements shall be sensitive to the welfare and development needs of the society around it.

NEED FOR THE STUDY

- Financial analysis is required to determine the financial health and stability of a company.
- It helps in determining the current financial position and upcoming financial requirement.
- It is used to identify the trends and relationship between financial statement items, so that it helps the company to achieve their near goals

STATEMENT OF THE PROBLEM

In the recent years the financial system especially the cement industry has undergone many changes in the form of reforms, regulations and norms.

Many studies have done to analyse the performance of various cement industries based on profitability determinants and the financial indicators.

However, this study will use financial ratio to analyse the India cement performances based on the financial score model.

OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE:

- To evaluate the performance of India Cements through consolidated financial score model.

SECONDARY OBJECTIVE:

- To assess the operating efficiency and profitability using financial score.
 - To assess the short-term liquidity.
 - To assess the capital structure and long-term solvency using financial score.
- .

SCOPE OF THE STUDY:

- To assess the Operating efficiency and Profitability using Net profit margin, Gross profit margin, Operating margin, return on equity and Return on assets.
- To assess the Short-term and Liquidity using Cash flow liquidity ratio, Current Ratio, Accounts receivable's turnover, Inventory turnover and Debt turnover.
- To assess the Capital Structure and Long-term Solvency using Debt to equity, Bank debt to equity, Asset turnover ratio, Fixed asset to total capitalization and Net sales to equity.

CHAPTER FRAMEWORK:

CHAPTER 1:

First Chapter discuss introduction of the study, Industry Profile, Company Profile, Need for the study, Statement of the Problem, Objectives of the Study.

CHAPTER 2:

Second Chapter Reviews previous studies.

CHAPTER 3:

Third Chapter describes Research Methodology, Research Design, Data Collection, Statistical Tools used for the Study.

CHAPTER 4:

Fourth Chapter deals with data analysis and Interpretation.

CHAPTER 5:

Fifth Chapter enlists Findings, suggestions and conclusions.

CHAPTER 2

REVIEW OF LITERATURE

MortezaPakdinAmiri (2010), In this paper, proposed a new methodology to provide a simple approach to assess alternative projects and help the decision maker to select the best one for National Iranian Oil Company by using six criteria of comparing investment alternatives as criteria in an AHP and fuzzy TOPSIS techniques. This application is conducted to illustrate the utilization of the model for the project selection problems.

HerisGopira, Vahed Moradi (2011), This paper proposes a new comprehensive method to calculate a progress of projects. The method uses any factors which affects the projects in order to increase accuracy and flexibility and also ensures the integrity of projects. To achieve this purpose, activities of projects are weighted by GAHP and TOPSIS methods.

Mohit Tyagi (2014), the objective of this research is to select a best alternative with an aim to improve electronic supply chain management (e- SCM) performance of Indian automobile industry located at delhi region. The developed model has been analyzed to select a best alternative using analytic hierarchy process (AHP) and technique of order preference by similarity to ideal solution (TOPSIS) as a hybrid approach.

CH. Lakshmi Tulasi, A. Ramakrishna Rao (2017), In this paper, both quantitative and qualitative data are considered in a fuzzy environment. This paper develops an evaluation model based on the Analysis Hierarchy Process (AHP) and the Technique for Order Performance by Similarity to Ideal Solution (TOPSIS).

Mehdi Azhdari (2017), This research tries to find the best place for building the emergency base in northwest Shiraz, based on considered criteria. The main objective in this research was the positioning of the emergency base considering specific criteria. Weighting, prioritizing and selecting locations was conducted through AHP technique.

Armin Jabbarzadeh (2018), says the selection of an appropriate contractor plays an important role for the success of the accomplishment of any construction project. This paper presents a multi-criteria decision-making method for contractor selection. The technique for order of preference by similarity to ideal solution (TOPSIS) is used to rank the alternative contractors.

Ali Jozaghi, Babak Alizadeh (2018), explains the application of multiple criteria (MCDM) techniques in real-life problems. This paper presents a comparative analysis of TOPSIS and AHP in the context of decision-making using GIS for dam site selection.

Augusto Bianchini (2018), the purpose of this paper is to provide a two-phase analytical hierarchy process (AHP) and the technique for order preference by similarity to ideal solution (TOPSIS) approach that is a multi-criteria decision-making methodology (MCDM) in the evaluation of third-party logistics (3PL) providers.

Ahmad Borjy, Vahid Baradaran, Peyman Zandi (2019), In this article, by choosing agriculture sector as a case study, an attempt has been made to study the evaluation, ranking and managements of a projects with investment classifying strategy of the projects using Delphi, TOPSIS and AHP methods.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN:

- **ESCRPTIVE RESEARCH DESIGN:**

The descriptive research design has been adopted for the study. The impact of various factors such as operating efficiency and profitability, short term liquidity, capital structure and long-term solvency has been identified. On the performance of India Cements over a period of three months i.e., 16th December 2019 to 28th March 2020 (3 months) has been described in this study.

3.2 SOURCE OF DATA:

3.2.1 SECONDARY DATA:

Secondary data are generally sourced from censuses, data collected by the government departments, organization records and data which were collected originally for other research purposes.

This study is carried out using the Secondary Data collected from the annual reports, companies website, journal and Books published by the respective companies

3.3 PERIOD OF STUDY:

The present study data has been collected from 2017 -2018 to 2020 2021.

3.4 STATISTICAL TOOLS INVOLVED:

- Ratio Analysis

3.5 COMPANIES SELECTED FOR THE STUDY:

- India Cement
- Ambuja Cement
- ACC Cement
- Shree Cement
- UltraTech Cement

CHAPTER 4

ANALYSIS AND INTERPRETATION

This Financial Score model is prepared by M. YURDAKUL*^y and Y. T. _IC , ^z in the article “Development of a performance measurement model for manufacturing companies using the AHP and TOPSIS approaches” has been considered for this study. The financial Score model chart, which shows the operating efficiency and profitability, short-term liquidity and the capital structure and long-term solvency is depicted below:

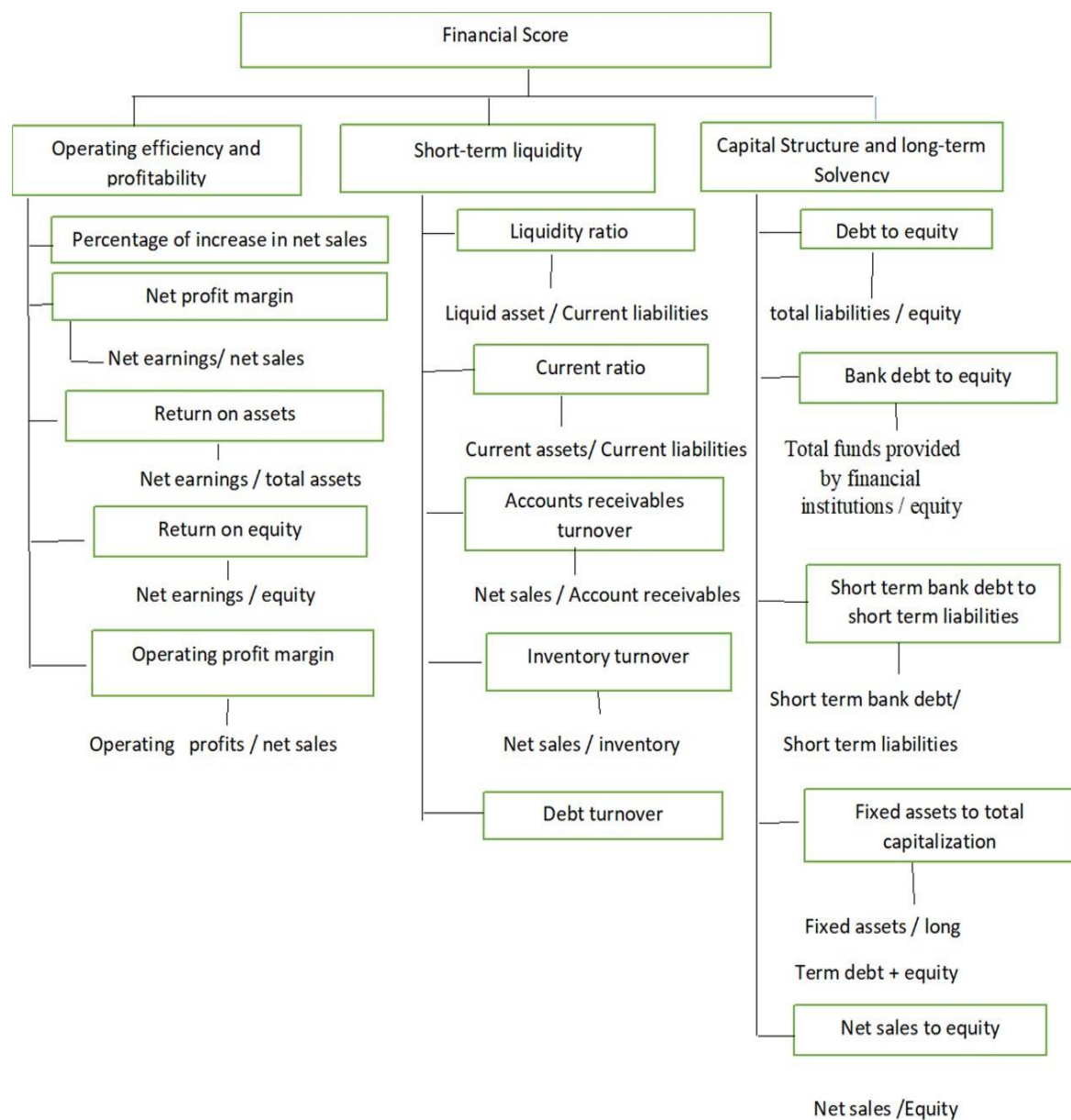
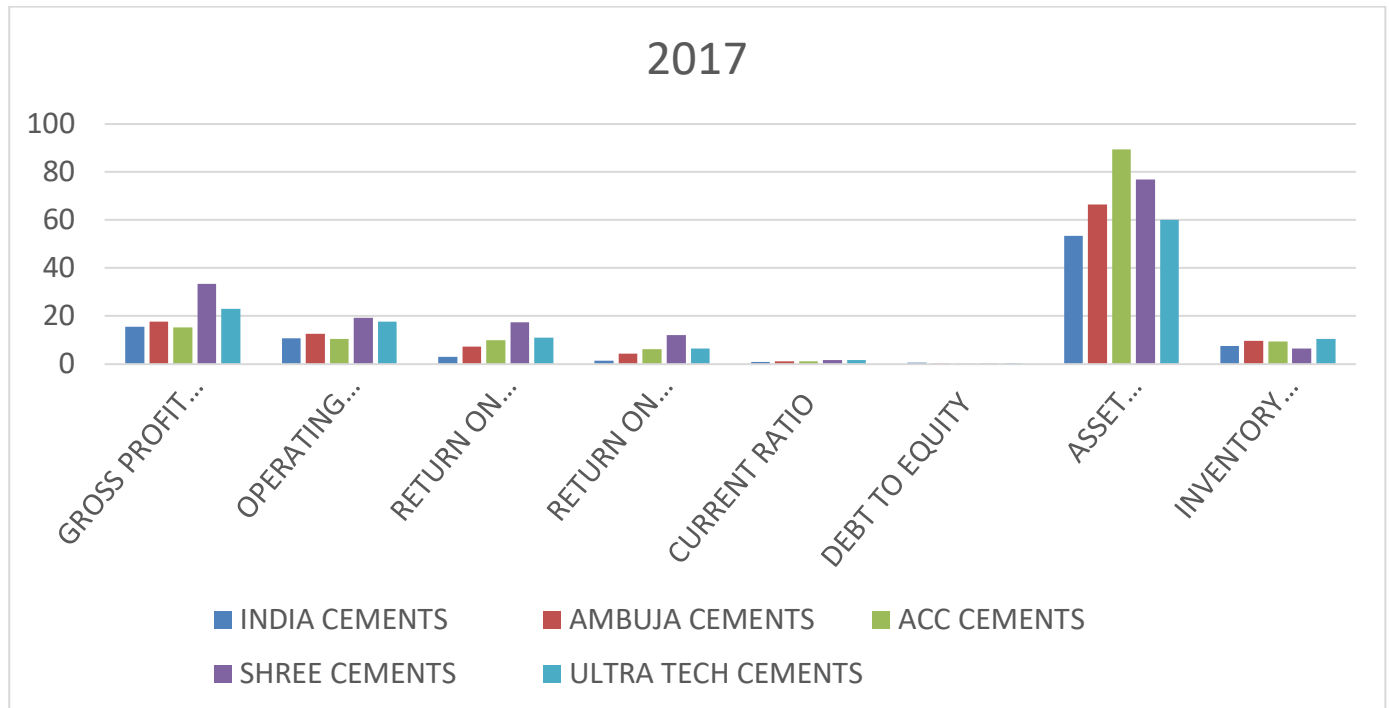


Table: 4.1

RATIOS	2017	2017	2017	2017	2017
	INDIA CEMENTS	AMBUJA CEMENTS	ACC CEMENTS	SHREE CEMENTS	ULTRA TECH CEMENTS
GROSS PROFIT MARGIN	15.48	17.70	15.36	33.45	23.09
OPERATING MARGIN	10.77	12.54	10.52	19.31	17.78
RETURN ON EQUITY	2.91	7.33	9.88	17.39	11.13
RETURN ON ASSETS	1.37	4.26	6.22	11.99	6.43
CURRENT RATIO	0.80	1.25	1.18	1.65	1.60
DEBT TO EQUITY	0.54	0.01	0.01	0.17	0.31
ASSET TURNOVER RATIO	53.52	66.47	89.48	76.96	60.10
INVENTORY TURNOVER RATIO	7.58	9.60	9.46	6.54	10.57

Chart 4.1



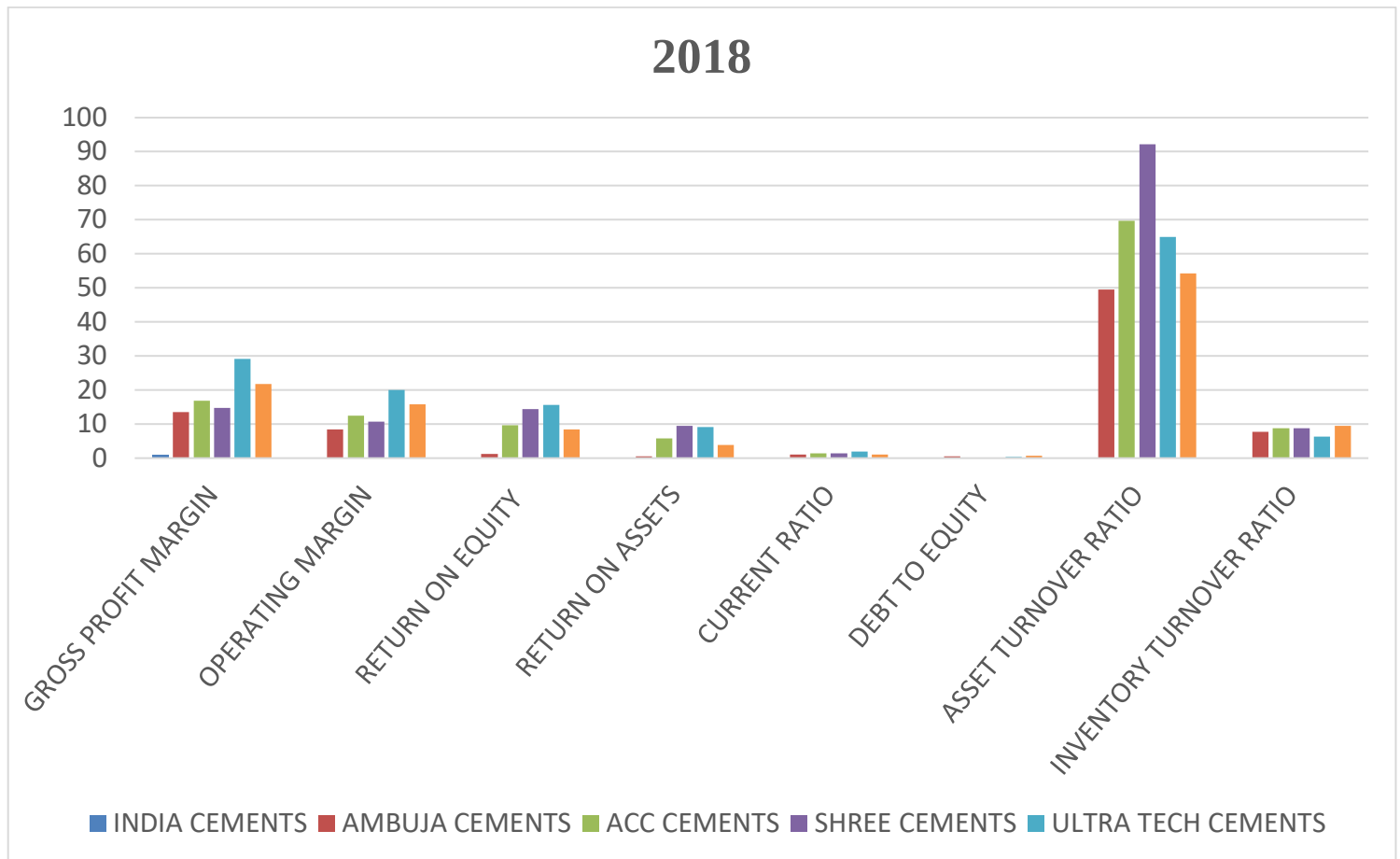
INTERPRETATION:

In the above-mentioned graph, the Gross profit margin, Operating margin, Return on equity, Return on assets, Current ratio, Debt to equity, Asset turnover ratio, Inventory turnover ratio is calculated for the five cement Industries i.e., India Cements, Ambuja cements, ACC cements, Shree cements, Ultra tech cements for the year 2017. From the graph it clearly shows that India Cements is performing good but not up to the mark when compared with other cement manufacturing industries .

Table 4.2

RATIOS	2018	2018	2018	2018	2018
	INDIA CEMENTS	AMBUJA CEMENTS	ACC CEMENTS	SHREE CEMENTS	ULTRA TECH CEMENTS
GROSS PROFIT MARGIN	13.50	16.82	14.80	29.10	21.73
OPERATING MARGIN	8.36	12.39	10.72	19.95	15.77
RETURN ON EQUITY	1.23	9.73	14.43	15.55	8.42
RETURN ON ASSETS	0.59	5.83	9.46	9.14	3.88
CURRENT RATIO	1.02	1.48	1.42	1.92	1.00
DEBT TO EQUITY	0.58	0.01	0.01	0.38	0.71
ASSET TURNOVER RATIO	49.48	69.73	92.18	64.94	54.20
INVENTORY TURNOVER RATIO	7.82	8.80	8.81	6.27	9.48

Chart No: 4.2



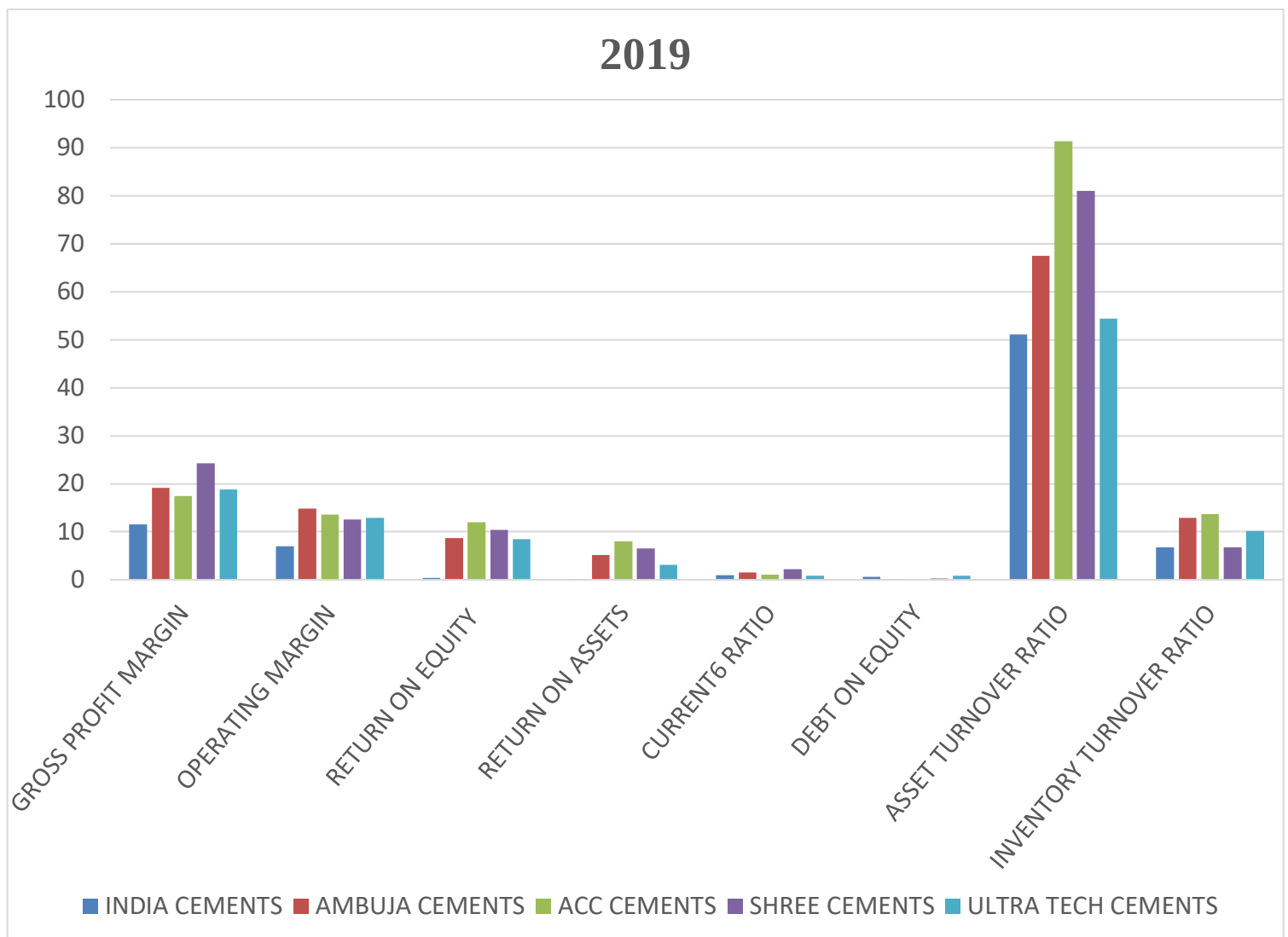
INTERPRETATION:

On analyzing the financial data for the year 2018, we infer that India Cements company is ranked 5th in the order of financial performance. Shree Cements, ACC, Ultra and Ambuja were found to outrange in their performance when compared to India Cements.

Table – 4.3:

RATIO	2019	2019	2019	2019	2019
	INDIA CEMENTS	AMBUJA CEMENTS	ACC CEMENTS	SHREE CEMENTS	ULTRA TECH CEMENTS
GROSS PROFIT MARGIN	11.52	19.10	17.44	24.24	18.77
OPERATING MARGIN	6.93	14.85	13.57	12.51	12.88
RETURN ON EQUITY	0.40	8.70	11.93	10.40	8.47
RETURN ON ASSETS	0.18	5.21	8.03	6.49	3.14
CURRENT RATIO	0.93	1.58	1.06	2.22	0.83
DEBT TO EQUITY	0.59	0.01	0.01	0.29	0.86
ASSET TURNOVER RATIO	51.06	67.45	91.37	81.03	54.36
INVENTORY TURNOVER RATIO	6.81	12.93	13.71	6.71	10.15

CHART NO. 4.3



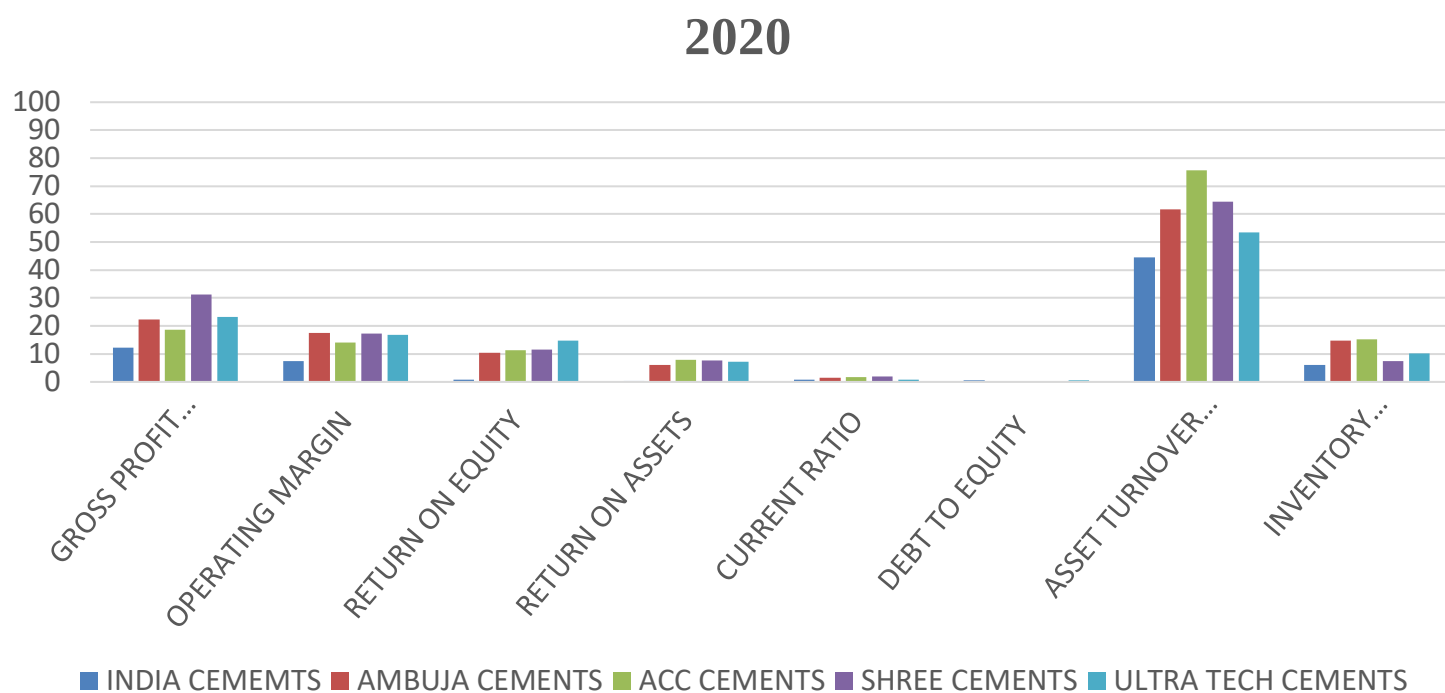
INTERPRETATION:

In the financial year 2019, the accounting data shows that India Cements has performed higher when compared with previous years with the similar industry. Although the Asset turnover i.e., it measures the value of a company's sales or revenues relative to the value of its assets. The higher the asset turnover ratio, the more efficient a company is at generating revenue from its assets.

Table: 4.4

RATIO	2020	2020	2020	2020	2020
	INDIA CEMENTS	AMBUJA CEMENTS	ACC CEMENTS	SHREE CEMENTS	ULTRA TECH CEMENTS
GROSS PROFIT MARGIN	12.27	22.25	18.65	31.34	23.32
OPERATING MARGIN	7.33	17.51	14.02	17.29	16.91
RETURN ON EQUITY	0.91	10.39	11.26	11.66	14.74
RETURN ON ASSETS	0.42	5.95	7.85	7.70	7.26
CURRENT RATIO	0.83	1.38	1.76	1.97	0.89
DEBT TO EQUITY	0.58	0.01	0.02	0.18	0.55
ASSET TURNOVER RATIO	44.44	61.72	75.74	64.52	53.55
INVENTORY TURNOVER RATIO	6.16	14.87	15.30	7.51	10.14

Chart No: 4.4



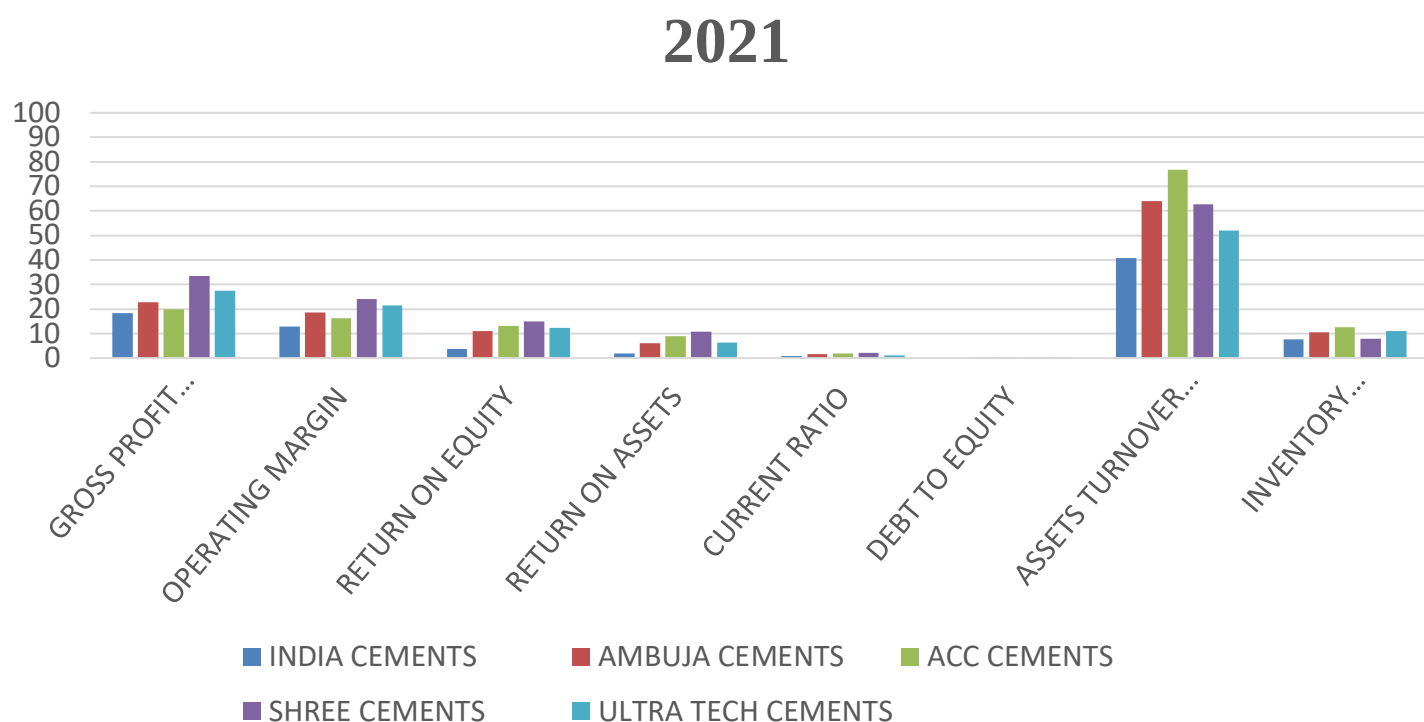
INTERPRETATION:

The above table represents the data of financial year 2020. From the table and graph, we infer that India Cements Company's performance is fifth in the order of the performance ratios. Shree Cements, ACC cements, ULTRA TECH are the toppers in performance followed by INDIA Cements.

Table 4.5

RATIOS	2021	2021	2021	2021	2021
	INDIA CEMENTS	AMBUJA CEMENTS	ACC CEMENTS	SHREE CEMENTS	ULTRA TECH CEMENTS
GROSS PROFIT MARGIN	18.36	22.65	19.84	33.52	27.50
OPERATING MARGIN	12.89	18.67	16.12	24.15	21.46
RETURN ON EQUITY	3.65	10.96	13.01	14.84	12.36
RETURN ON ASSETS	1.86	6.15	8.85	10.62	6.33
CURRENT RATIO	0.76	1.52	1.89	2.21	1.17
DEBT TO EQUITY	0,44	0.01	0.02	0.12	0.40
ASSET TURNOVER RATIO	40.67	64.07	76.77	62.64	51.89
INVENTORY TURNOVER RATIO	7.55	10.58	12.68	7.85	11.13

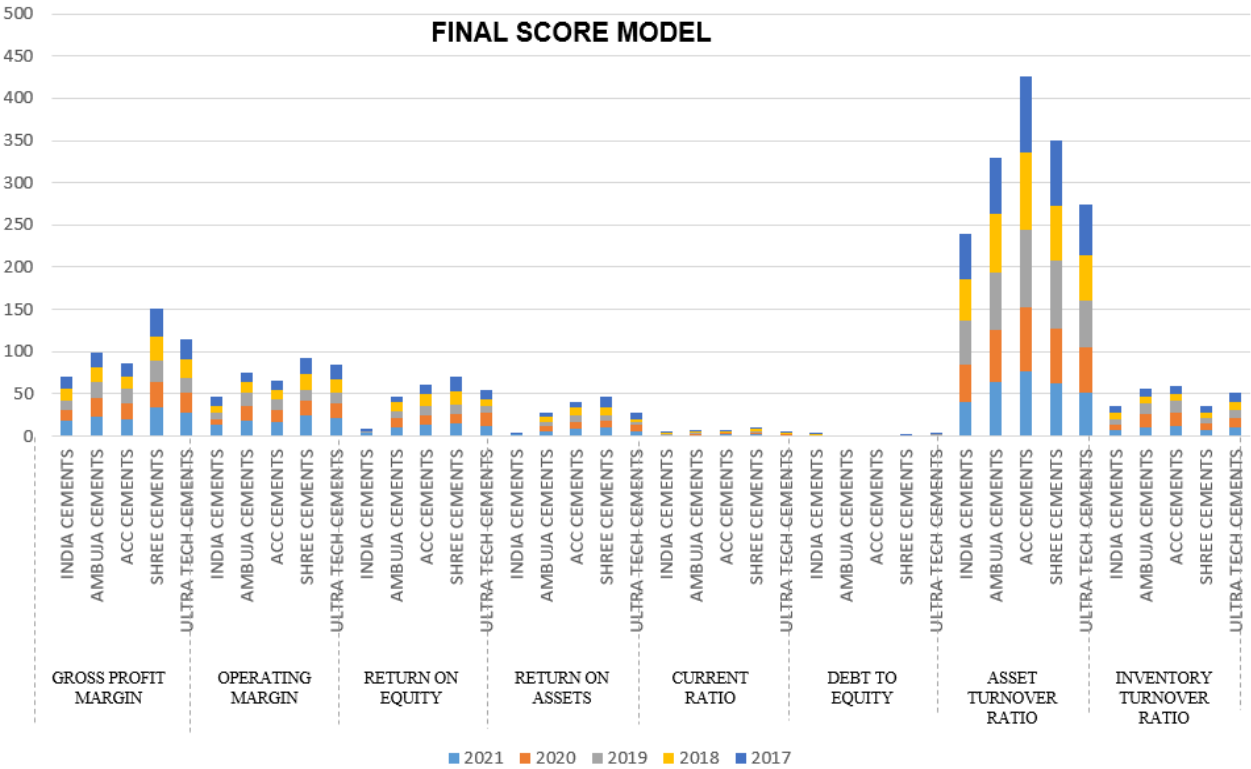
Chart 4.5



INTERPRETATION:

In the above table is calculated for the financial year 2021. The Gross profit margin, Operating margin, Return on equity, Return on assets, Current ratio, Debt to equity, Asset turnover ratio, Inventory turnover ratio is calculated for the five cement Industries i.e., India Cements is found to perform well in Gross profit margin, Operating margin, and Assets turnover ratio, And also in order next to Ambuja cements in Return on equity, Return on assets, and Inventory turnover ratio.

Chart 4.6 CONSOLIDATED SCORE MODEL:



CHAPTER 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS OF THE STUDY:

- From Gross Profit Ratio, we find that India Cements performs well from 15.48% in 2017 to 18.56% in 2021.
- Even though there was a dip in 2018, 2019 and 2020, they performed well and shown increasing rate by 2021.
- When we compare Operating profit among these five-cement manufacturing companies we find that India Cements stands last as fifth, where it scores 10.77% in 2017, there was a dip a Gross Profit Ratio in 2018, 2019, 2020. And they are an increasing rate from 2021 as 12.89%.
- From Return on Equity, we come to know that the total of all five companies is 48.6% in 2017, In that Indian cements has 2.91% in 2017. And when we come to 2021 the total of Return on equity of all five companies is 54.8% in that India Cements is 3.65% which is lowest when compared to all five companies.
- When we come to Return on Assets India Cements has 1.37% in 2017 total of 30.2%. Where we can also see there is a slight increase 2021 from 1.37% in 2017 to 1.8% in 2021.
- The Fifth in the row, we can see Current Ratio, where India Cements maintains average of 1.07%. Where Shree Cements has performed well among all five companies.
- India Cements maintains the total average of 0.54% from 2017 to 2021 in Debt-to-Equity Ratio.
- From Asset Turnover Ratio, we find that India Cements performed so well when compared with all eight ratios in all five years. They were in 53.5 % in 2017, 49.4% in 2018, 51% in 2019, 44.44% in 2020, 40.6% in 2021.
- When we see Inventory Turnover Ratio, India Cements has 7.5% in 2017, 7.8% in 2018, 6.8% in 2019, 6.1% in 2020, and 7.5% in 2021, India cements performed well in Inventory Ratio too.

- From the graph it clearly shows that Asset turnover ratio has a good role which comes under the capital structure and long-term solvency.
- Thus, the capital structure and the long-term solvency of a company has a good profit than compared to the short-term liquidity and operating efficiency and profitability.
- Therefore, this financial score helps to identify the performance of a company through the operating efficiency, short term liquidity and capital structure and long-term solvency.

5.2 SUGGESTIONS:

- There are several methods to find out the performance of the company in which financial score model helps us to find out the best company among its opponents.
- This financial score model helps to bound the operating efficiency and profitability, short term liquidity and capital Structure and long-term solvency.
- This method shows separately that which company's performance is best in each stage.

5.3 CONCLUSION:

The study analyzed financial performance of the selected cement companies in India using Yurdakul's financial score model. The study found that financial score of Shree cements was good during the study period, since its overall financial score was more than the standard during all the years of the study period. Financial position of ACC Ltd and Ultratech CementsLtd were also good, since their overall financial score was more than the standard for five years and it was at moderate level during 2015 and 2016. It was also observed that financial score of India cements and Aditya Birla cement was not satisfactory during the study period.

India Cements need to strive in for more efforts to improve their sale in the market. Acquiring more sales in the market would improve the financial scores of the organization with respect to their competitors.

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