

A Study on Financial Performance of ACC Cement Limited with Special Reference to Tiruppur

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ABSTRACT

Financial statements analysis is judgemental process which aims to evaluate the current and past financial position and result of operations of an enterprise. The analysis of the financial statements, spotlights the significant fact and relationships concerning managerial performance, corporate efficiency, financial strength and weakness and credit worthiness. The basic statements which are used evaluate which are used of analyses the status of performance of corporate entry is a profit and loss account and balance sheet. The objectives of the study is to examine and evaluates the financial position of the ACC cement company, to study the growth and development of ACC company, to evaluate the financial performance of ACC cement company and to offer valuable suggestions for the betterment and improvement of the performance of ACC cements company.

Key words: Financial Statements Analysis, Corporate Efficiency and Financial Position.

I. INTRODUCTION

Financial term statements as uses in modern business refer to the two statements which the accountants prepare at the end of an accounting year for a business enterprise. They are the balance sheet and profit and loss account. The financial statements provide a summary of the accounts of a business enterprise. The balance sheet and profit and loss account shows the result of operations during a certain period. Financial statements analysis is judgemental process which aims to evaluate the current and past financial position and result of operations of an enterprise. Financial statements are prepared for the purpose of presenting by the periodical review or report on the progress by the management and deal with status of the investments in the business and results achieved

during the period and the review. ACC is India's foremost manufactures of cement and concrete. ACC operations are through the country with 17 modern cement factories, more than 50 ready mix concrete plants, 21 sales offices, and several zonal offices. It has a workforce of about 9,000 persons and a countrywide distribution network of over 9,000 dealers. Since is inception in 1936, the company has been trendsetter and important benchmark for the cement industry in many areas of cement and concrete technology.

STATEMENTS OF THE PROBLEM

The cement industry occupied a very importance position in our country. This industry has a viral role to play the supp of raw material to infrastructure sector. Every cement company facing various problems regards productions, financial, marketing for maintaining an occupation of their field. Especially, financial position of the company improves the company standards and attracting the shareholders for their investments. Hence, I make an attempt of financial statements analysis for selected cement companies has been undertaken in a view that it may to prosperity.

SCOPE OF THE STUDY

The scope of the study aims at evaluating the financial performance and financial positions of ACC Cement Company and to assess the role of different aspects of financial management, viz., liability, solvency, turnover, fixed assets management and working capital management on the profitability of a selected cement companies. An attempt has also been made to make to make inter-sector comparison and predicts future trends. The results of the study may be helpful to the management, investors. Creditors, employees and

government in taking decisions related to their own spheres of interest.

OBJECTIVES OF THE STUDY

- To examine and evaluates the financial position of the ACC cement company.
- To study the growth and development o ACC company.
- To evaluate the financial performance of ACC cement company.
- To offer valuable suggestions for a better and improve the performance of the ACC cements company.

LIMITATIONS OF THE STUDY

- The study was undertaken for the period of 5 years from 2016-2017 to 2020-2021.
- The financial performance not compared with similar companies in the same industry.
- The reliability and correctness of the study depends on the information provided in the annual reports of the company.
- The data are secondary in nature and any basic in them reflects in the analysis and the conclusion of the study.

RESEARCH METHODOLOGY

The data for the study consists of various financial statements of selected companies listed in the Bombay Stock Exchange (BSE). The ACC Cement Company has been purposively selected and used as a sample for the study. Initially, it was decided to keep in the sample of all the companies under cement industry. The study is basically analytic in nature.

SOURCES OF DATA

The study is based on secondary data.

PERIOD OF THE STUDY

The study period is covered 5 years from 2016-2017 to 2020-2021 financial year.

TOOLS USED FOR ANALYSIS

The tools used for the present study are as follows: Mean, Maximum, Minimum and Range

RATIO ANALYSIS

Solvency Ratios

1. Short Term Solvency or Liquidity ratios

Current Ratio, Quick Ratio and Absolute Quick Ratio

2. Long Term Solvency or Debt Ratios

Proprietary Ratio

3. Profitability Analysis

Gross profit ratio, Net profit ratio, Return on total assets, Operating profit ratio and Expenses ratio

II. REVIEW OF LITERATURE

It is necessary to review the available previous studies and literature to frame objectives and methodology. Brief details about the reviews made relating to the present study are as follows:

Muthu Krishnan S: A study on analyses the productivity in cement industry in Tamilnadu. For this purpose the researcher selected four cement companies for the study period if 5 years from 2016-2017 to 2020-2021. The study stated that the cement industry will have to devise strategies for economizing the use of inputs and curtailing cost so as so remain competitive in the global reading environment.

Ajay Swaminathan S: Undertook study on financial statements analysis of India cement limited. The undertook the study for the period of ten years from 2008-2009 to 2017-2018. The study of used various ratios for analysis. The study found dismal performance in the last two years of the study period while the first 3 years of the study showed a decent performance in the last years of the study period while the first 3 years of the study showed a decent performance in the last two years of the study period while the first 3 years of the study showed decent performance for the company and also found that the earnings of the company had considerably come down resulting in the negative.

Rajesh M, Ramana Reddy N.R.V and Narayana Reddy T: Analysed the financial performance of ACC cement company. For this purpose the ACC cement company for the period of 10 years from 2009-2010 to 2018-2019. The study identified that the ACC limited, Grasim cement limited, panyam cement limited returns to the shareholders. Other companies were unsatisfactory compared with the above companies.

Gandhimathi S and Ramasamy R: undertook a study on financial performance of the ACC Cements ltd. Their study period was ten years from 2008-2009 to 2017-2018. The study used various ratios and comparative balance sheet statements. The studies found the financial position of the companies were good during the study period.

Alovsat Muslumov: Concluded that the privatization was associated with the declining value added and shareholders profitability in Turkish cement industry. A decline in the value added in the shareholders profitability were mainly caused by decrease in return on assets. The decline in the asset was traced to declined assets productivity. These results are not consistent with previous cross-sectional privatization studies and a number of country studies.

S. Chandrakumar mangalam and P. Govindasamy: Investigate the relationship between

the leverage and the earning per share and this study also explains the relationship between the Debt equity ratio and Earnings per share and how effectly the firm be able debt financing; the results suggests that the leverage and profitability and growth are related and the leverage is having on the profitability of the firm.

III. DATA ANALYSIS AND INTERPRETATION

1. CURRENT RATIOS

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio also known as working capital ratio is a measure of general liabilities and its most widely used the analysis of a short term financial position or liquidity of a firm. It is calculated by dividing the total asset by total current liabilities

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \times 100$$

TABLE NO: 1
TABLE SHOWING THE CURRENT RATIO

(Rs.crore, Ratio in times)

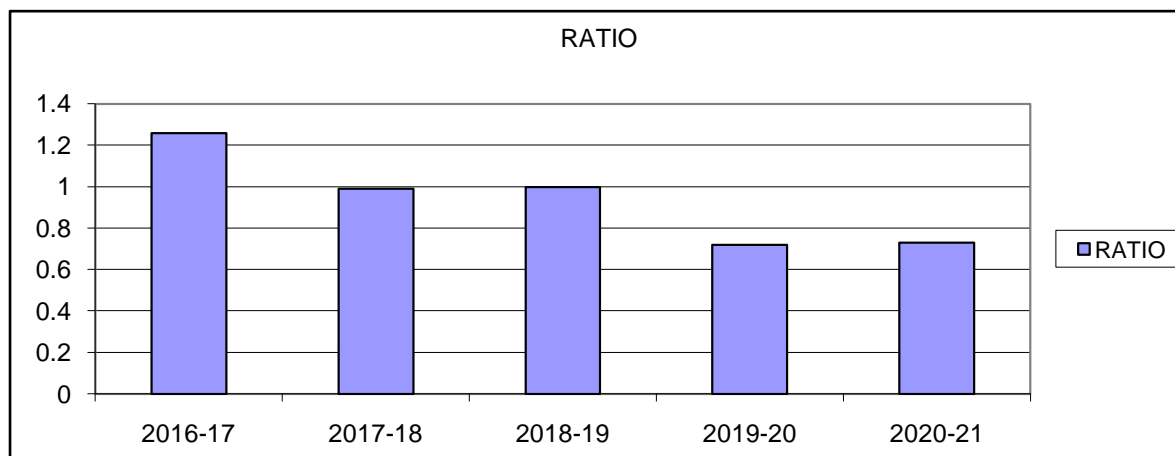
YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2016-17	1921.24	1527.29	1.26
2017-18	2203.04	2221.29	0.99
2018-19	2759.63	2765.72	1.00
2019-20	2256.16	3113.91	0.72
2020-21	2753.35	3746.42	0.73
Mean			0.94
Maximum			1.26
Minimum			0.72
Range			0.54

Interpretation:

In the above table we mentioned the current ratio. In that able we mentioned the ratio for five years (i.e.) 2016-17. In gross profit divided by sales we

can get a current ratio is 1.26 after it was decreased to 0.99 in than it was increased in 2017-2018 it was increased to 1.00 in 2018-2019 the range is 0.54.

CHART NO: 1
CHART SHOWING THE CURRENT RATIO



2. QUICK RATIO

Quick ratio also known as acid or liquid ratio is a more rigorous test of the liquidity the current ratio. It may be defined as the relationship between liquid assets and current liabilities. Generally, a high quick ratio is an indication that the firm is liquid and has the ability to meet its

current liabilities in time, and on the other hand, a low quick ratio represents that the firm's liquidity position is not good. As a rule of thumb or as a convention quick ratio of 1.1 is considered satisfactory. It is calculated by dividing the total quick assets by total of the current liabilities.

$$\text{Quick ratio} = \frac{\text{Quick asset}}{\text{Current liabilities}} \times 100$$

(Quick Assets = Current Assets – (Stock + Prepaid Expenses))

TABLE NO: 2
TABLE SHOWING THE QUICK RATIO

(Rs. Crore, ratio in times)

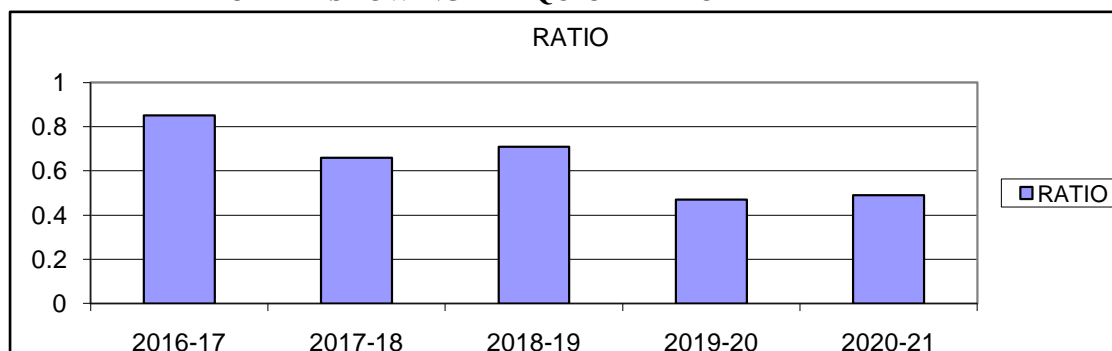
YEAR	QUICK ASSETS	CURRENT LIABILITIES	RATIO
2016-17	1297.11	1527.29	0.85
2017-18	1472.18	2221.29	0.66
2018-19	1966.36	2765.72	0.71
2019-20	1477.18	3113.91	0.47
2020-21	1835.37	3746.42	0.49
Mean			0.63
Maximum			0.85
Minimum			0.47
Range			0.38

Interpretation:

In this above table we mentioned the quick ratio. In that able we mentioned the five years. In quick profit divided by sales we can get a quick

ratio. In 2016-2017 the ratio is 0.85 after it was increased to 0.71 in 2018-2019 than is decreased in 2019-20 it was decreased to 0.49. the range is 0.38.

**CHART NO: 2
 CHART SHOWING THE QUICK RATIO**



3.ABSOLUTE LIQUID RATIO

An Absolute liquid ratio extends the logical further and eliminates accounts receivables also, though

receivables are more liquid as comparable to inventory but still there may be doubts considering their time and amount and realization.

$$\text{Absolute liquid ratio} = \frac{\text{Absolute liquid ratio}}{\text{Current liabilities}} \times 100$$

**TABLE NO: 3
 TBALE SHOWING THE ABSOLUTE LIDUID RATIO**
 (Rs. Crore, ratio in times)

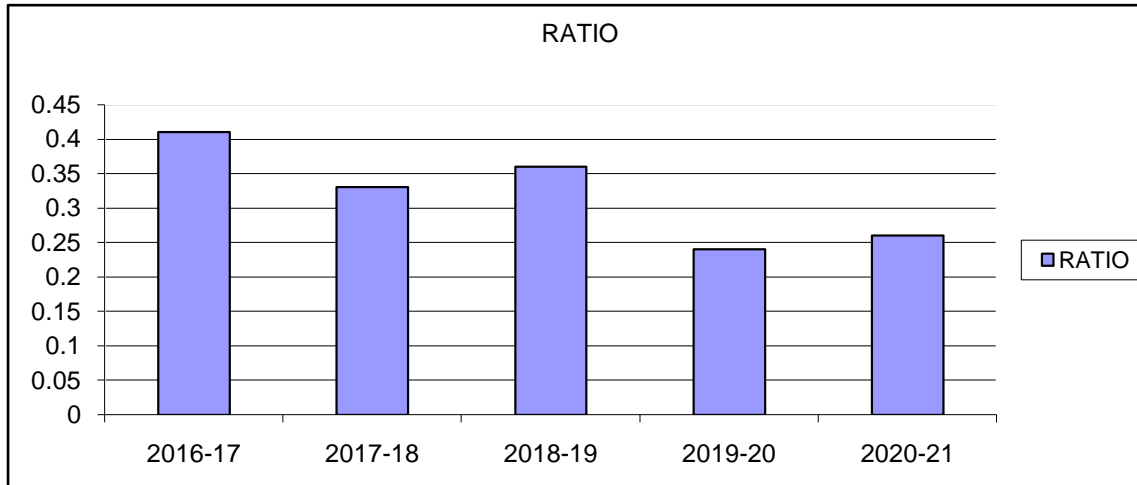
YEAR	ABSOLUTE LIQUID RATIO	CURRENT LIABILITIES	RATIO
2016-17	620.17	1527.29	0.41
2017-18	743.48	2221.29	0.33
2018-19	984.24	2765.72	0.36
2019-20	746.38	3113.91	0.24
2020-21	980.03	3746.42	0.26
Mean			0.32
Maximum			0.41
Minimum			0.24
Range			0.17

Interpretation:

The above table defined operating profit ratio is fluctuating trend. The ratio was during highest

position 2016-17 shows 0.41 and low during the period 2019-20 shows 0.26. The range is 0.17. It is shows a fluctuating trends

CHART NO: 3
CHART SHOWING THE ABSOLUTE LIQUID RATIO



Long- Term Solvency Ratio

4. PROPRIETARY RATIO

The proprietary ratio in relation to shareholders fund, and tangible assets, shareholders fund

included to equity share capital, share application money, preference share capital, and reserves & surplus.

$$\text{Proprietary ratio} = \frac{\text{Share holders fund}}{\text{Tangible asset}} * 100$$

TABLE NO: 4
TABLE SHOWING THE PROPRIETARY RATIO

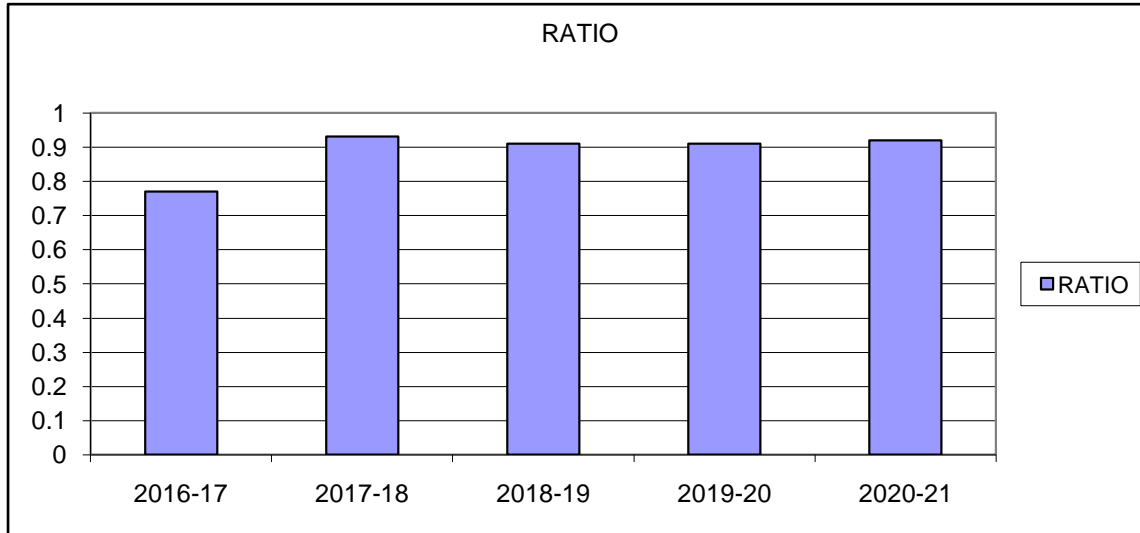
YEAR	SHAREHOLDERS FUND	TOTAL ASSETS	RATIO
2016-17	3142.64	4058.62	0.77
2017-18	4125.61	4459.02	0.93
2018-19	4927.73	5409.76	0.91
2019-20	6016.22	6583.14	0.91
2020-21	6469.49	6993.31	0.92
Mean			0.89
Maximum			0.93
Minimum			0.77
Range			0.16

Interpretation:

The above table defined proprietary ratio is fluctuating trend. The ratio was during highest

position 2017-18 shows the 0.93 and low during the period 2016-17 shows 0.77. The range is 0.16. it shows a fluctuating trend.

CHART NO: 4
CHART SHOWING THE PROPRIETARY RATIO



PROFITABILITY ANALYSIS

5.GROSS PROFIT RATIO

Gross profit ratio (GP Ratio) ratio of gross profit to net sales expressed as a percentage. It expresses the relationship between gross profit and sales.

$$\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}} * 100$$

$$\text{Gross profit ratio} = \frac{\text{sales} - \text{cost of goods}}{\text{sales}} * 100$$

TABLENO: 5
TABLE SHOWING THE GROSS PROFIT RATIO

(Rs. Crore. Ratio percentage)

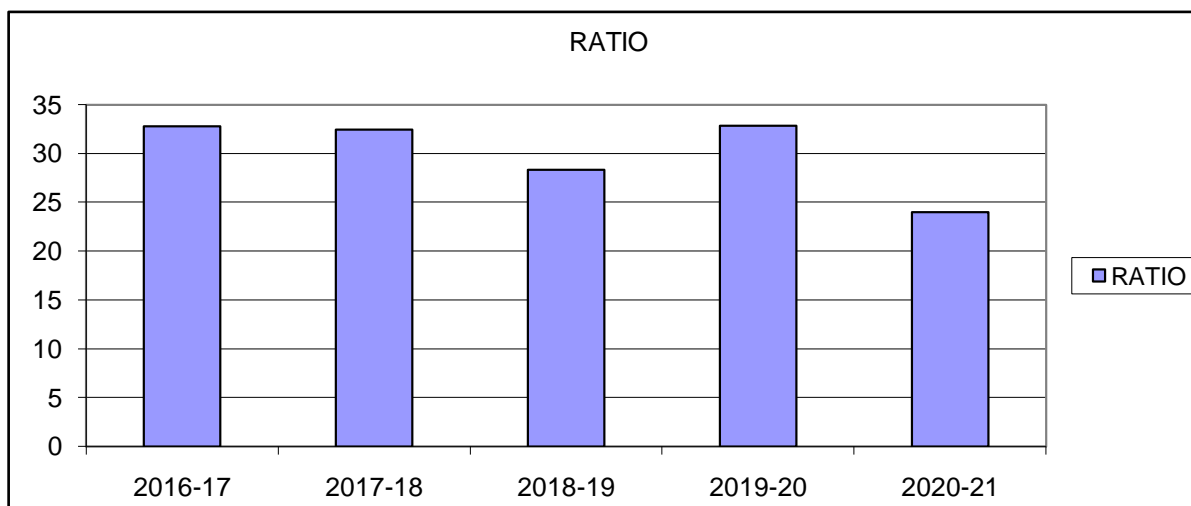
YEAR	GROSS PROFIT	NETSALES	RATIO
2016-17	1873.75	5716.98	32.78
2017-18	235.36	6880.66	32.49
2018-19	2030.78	7165.76	28.34
2019-20	2636.48	8027.2	32.84
2020-21	1854.13	7717.33	24.03
Mean			30.09
Maximum			32.84
Minimum			24.03
Range			8.81

Interpretation:

The above table defined gross profit ratio is fluctuating trend. The ratio was during highest

position 2019-20 shows the 32.84 and low during the period 2020-21 shows 24.03. The range is 8.81. it shows a fluctuating trend.

**CHART NO: 5
 CHART SHOWING THE GROSS PROFIT RATIO**



6.NET PROFIT RATIO

Net profit ratio establishes a relationship between net profit (after tax) and sales, and it indicates the efficiency of the management in

manufacturing, selling, administrative and other activities of the firm. This ratio is the over all the measure of firm profitability answer is calculated as

$$\text{Net profit ratio} = \frac{\text{Net profit after tax}}{\text{Net sales}} \times 100$$

**TABLE NO:6
 TABLE SHOWING THE NET PROFIT RATIO**

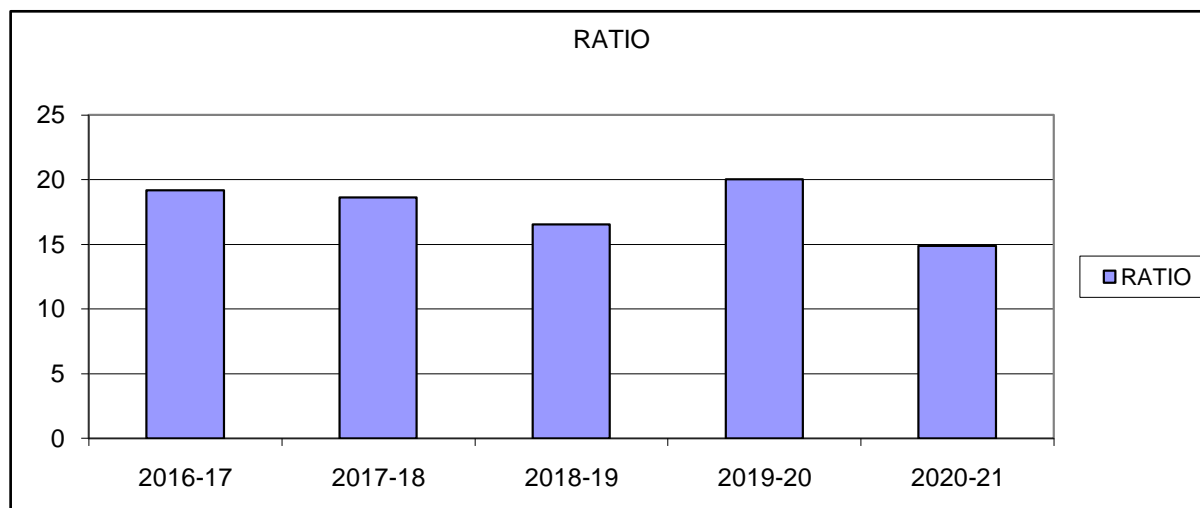
(Rs .crore. Ratio, precentage)

YEAR	NET PROFIT	NET SALES	RATIO
2016-17	1097.14	5176.98	19.19
2017-18	1280.998	6880.66	18.62
2018-19	1183.89	7165.79	16.52
2019-20	1608.44	8027.2	20.04
2020-21	1147.27	7717.33	14.87
Mean			17.84
Maximum			20.04
Minimum			14.87
Range			5.17

Interpretation:

The above table defined net profit ratio is fluctuating trend. The ratio was during highest position 2019-20 shows 20.04 and low during the period 2020-21 shows 14.87. The range is 5.17. It is shows a fluctuating trends.

**CHART NO: 6
 CHART SHOWING THE NET PROFIT RATIO**



7. INVENTORY TURNOVER RATIO

The ratio establishes the relationship between cost of goods sold total during a given period and the average amount of inventory held

during that period. This ratio reveals the number of times finished goods turned over during a given accounting period.

$$\text{Inventory turnover ratio} = \frac{\text{Net sales}}{\text{Inventories}} \times 100$$

**TABLE NO: 7
 TABLE SHOWING THE INVENTORY TURNOVER RATIO**

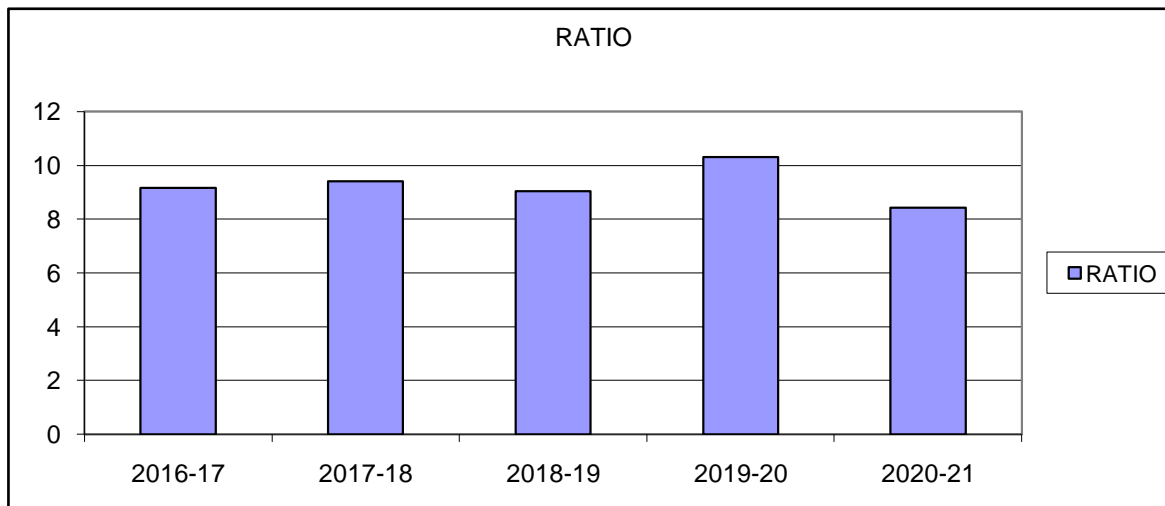
YEAR	NETSALES	INVENTORIES	RATIO
2016-17	5176.98	624.13	9.16
2017-18	6880.66	730.86	9.41
2018-19	7165.79	793.27	9.03
2019-20	8027.2	778.98	10.30
2020-21	7717.33	914.98	8.43
Mean			9.266
Maximum			10.30
Minimum			8.43
Range			1.87

Interpretation:

The above table defined inventory turnover ratio is fluctuating trend. The ratio was

during highest position 2019-20 shows 10.30 and low during the period 2020-21 shows 8.43. The range is 1.87. it is shows a fluctuating trend.

CHART NO: 7
CHART SHOWING THE INVENTORY TURNOVER RATIO



8.TOTAL ASSET TURNOVER RATIO

The ratio the efficiency of the assets used. It shows how well the total assets are being used in the business. It is calculated as follows:

$$\text{Total Asset turnover ratio} = \frac{\text{Sales}}{\text{Total assets}} \times 100$$

TABLE NO: 8
TABLE SHOWING THE TOTAL ASSETS TURNOVER RATIO

(Rs. Crore, ratio in times)

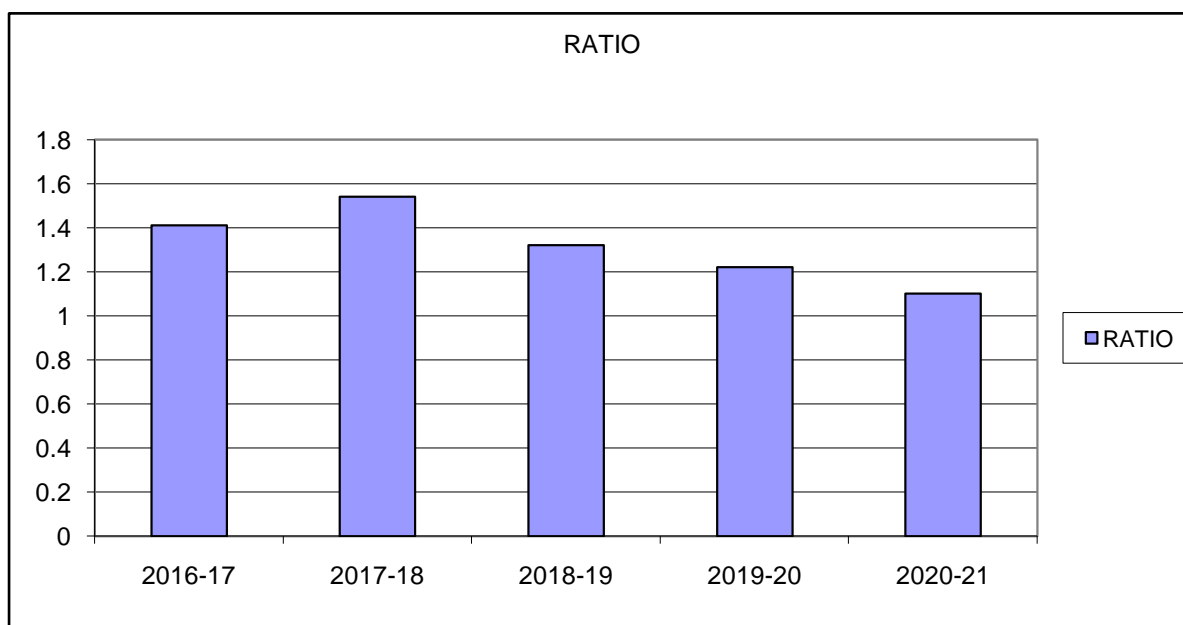
YEAR	NET SALES	TOTAL ASSETS	RATIO
2016-17	2011-12	4058.62	1.41
2017-18	2012-13	4459.02	1.54
2018-19	2013-14	5409.76	1.32
2019-20	8027.2	6583.14	1.22
2020-21	7717.33	6993.31	1.10
Mean			1.31
Maximum			1.54
Minimum			1.10
Range			0.44

Interpretation:

The above table defined total assets turnover ratio is fluctuating trend. The ratio was

during highest position 2017-18 shows 1.54 and low during the period 2020-21 shows 1.10. the range is 0.44 it is shows a fluctuating trend.

**CHART NO :8
 CHART SHOWING THE TOTAL ASSETS TURNOVER RATIO**



9. OPERATING PROFIT RATIO

Operating profit ratio is calculated by dividing the operating net profits by sales. This ratio helps in determining the ability of the management in running the business.

$$\text{Operating profit ratio} = \frac{\text{Operating profit}}{\text{Net sales}} \times 100$$

$$\text{Operating profit} = \text{net profit} + \text{non-operating expenses} - \text{non operating Incomes}$$

(Or) $\text{Gross profit} - \text{operating expenses}$

Operating Expenses include administration, selling and distribution expenses finance, expenses are generally excluded.

**TABLE NO: 9
 TABLE SHOWING THE OPERATING PROFIT RATIO**

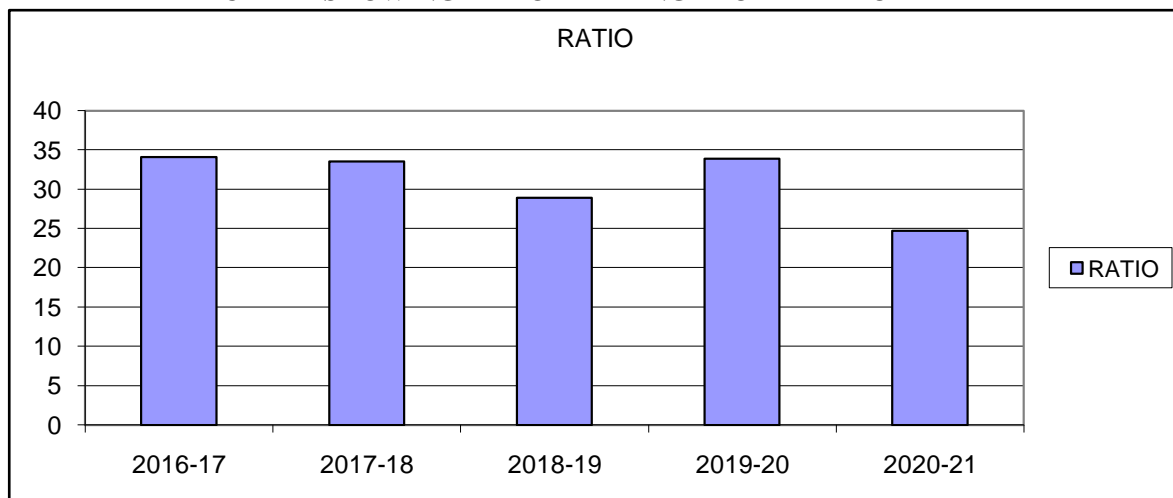
YEAR	OPERATING PROFIT	NET SALES	RATIO
2016-17	1948.94	5716.98	34.09
2017-18	2309.23	6880.66	33.56
2018-19	2070.74	7165.79	28.90
2019-20	2720.78	8027.2	33.89
2020-21	1910.91	7717.33	24.76

Mean		31.04
Maximum		34.09
Minimum		24.76
Range		9.33

Interpretation:

The above table defined operating profit ratio is fluctuating trend. The ratio was during highest position 2016-17 shows 34.09 and low during the period 2020-21 shows 24.76 .the range is 9.33. It is shows a fluctuating.

CHART NO: 9
CHART SHOWING THE OPERATING PROFIT RATIO



10.EXPENSES RATIO

These ratios are also known as supporting ratios to operating ratio. They indicate the efficiency with which business as a whole functions. It is better the concern to know how it is

able to save or waste over expenditure in respect of different items of expenses. Therefore each aspect of cost of sales and operating expenses are analyzed. The formula for some of the expenses given as flows:

$$\text{Expenses ratio} = \frac{\text{Total expenses}}{\text{Net sales}} \times 100$$

TABLE NO: 10
TABLE SHOWING THE EXPENSES RATIO

YEAR	SELLING & ADMIT EXPENSES	NET SALES	RATIO
2016-17	1326.94	5716.98	23.21
2017-18	1638.94	6880.66	23.82
2018-19	1597.36	7165.79	22.29
2019-20	1636.93	8027.2	20.39
2020-21	1697.26	7717.33	21.99

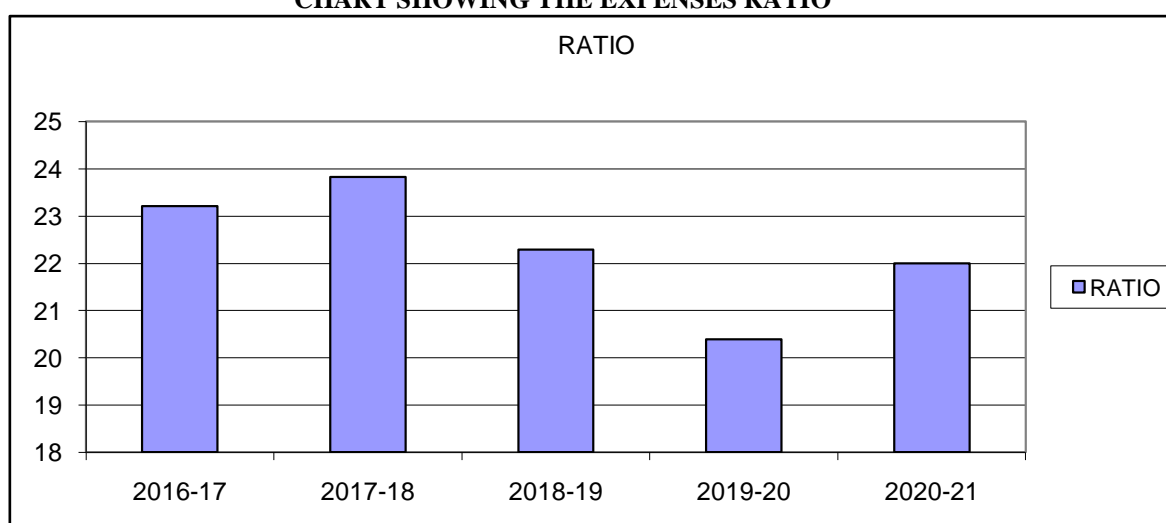
Mean		22.34
Maximum		23.82
Minimum		20.39
Range		3.43

Interpretation:

The above table is defined ratio is fluctuating trend. The ratio was during highest position 2017-18

shows 23.82 and low during the period 2019-20 shows 20.39. The range is 3.43. It is shows a fluctuating trend.

CHART NO: 10
CHART SHOWING THE EXPENSES RATIO



IV. FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- The current ratio is highest in the year of 2016-2017 is 1.26 and lowest in the year of 2019-2020 is 0.72 and range is 0.54.
- The quick ratio is highest in the year of 2016-2017 is 0.85 and lowest in the year of 2019-2020 is 0.47 and range is 0.38
- The absolute liquid ratio is highest in the year of 2016-2017 is 0.41 and lowest in the year of 2019-2020 is 0.24 and range is 0.17.
- The proprietary ratio is highest in the year of 2020-2021 is 0.93 and lowest in the year of 2016-2017 is 0.77 and range is 0.16.
- The gross profit ratio is highest in the year of 2019-2020 is 32.84 and lowest the year of 2020-2021 is 24.03 and range is 8.81.
- The net profit ratio is highest in the year of 2019-2020 is 20.04 and lowest in the year of 2020-2021 is 14.87 and range is 5.17.

- The inventory turnover ratio is highest in the year of 2019-2020 is 10.30 and lowest in the year of 2020-2021 is 8.43 and range is 1.87.
- The total asset turnover ratio is highest in the year of 2017-2018 is 1.54 and lowest in the year of 2020-2021 is 1.10 and range is 0.44.
- The operating profit ratio is highest in the year of 2017-2018 is 34.09 and lowest in the year of 2020-2021 is 24.76 and range is 9.33
- The expenses ratio is highest in the year of 2017-2018 is 23.82 and lowest in the year of 2019-2020 is 20.39 and range is 3.43

SUGGESTIONS

- The performance of the ACC cements limited during the period of the study was found good except some minor weakness. The company in fact has being satisfactory in the absence of data relating to ACC cements limited.
- Current position of liability should be maintained
- The profit margin of the concern is not satisfied so it should try to maintain a good level of profit margin.

- It is suggested that current position of liability should be maintained.
- The firm should try to control the expenditure for smooth running
- The effective utilization of fixed assets and current assets in needed

services and Management research, Vol.1, No.3, PP.87-97.

CONCLUSION

The study of under taken to analysis the financial performance of the ACC CEMENTS LIMITED. The management tools used to analysis the report is ratio analysis. Various ratios under the above category were calculated and it is found that thereis a significant growth in the company.Hence it is can be concluded that **THE ACC CEMENTS LIMITED**, overall operating efficiency is in satisfactory level. The company has to still analysis various aspects, to improve the company's position.

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