Financial Performance of Chettinad Cement

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Abstract: The study of financial performance of Chettinad Cement is an analysis of the company's financial statements over a period of time. The objective of the study is to evaluate the financial performance of the company and to identify the factors that influence its performance. The study is based on secondary data obtained from the company's annual reports and financial statements. The analysis covers a period of five years from 2018 to 2022. The study includes a review of the company's financial ratios, profitability, liquidity, and solvency. The study concludes that Chettinad Cement has a stable financial performance and is in a good position to sustain its growth in the future. The study also highlights the need for the company to focus on improving its liquidity position and reducing its debt levels.

Keywords: Financial Performance, liquidity position,

INTRODUCTION:
Chettinad Cement is one of the leading cement manufacturers in India, with a strong presence in the southern region of the country. The company has been in operation for several decades and has established itself as a reliable and trusted brand in the cement industry. As with any business, the financial performance of Chettinad Cement is critical to its success and growth. Therefore, a study of the company's financial performance is essential to evaluate its financial health and to identify areas that require improvement.

This study aims to analyze the financial performance of Chettinad Cement over a period of five years from 2018 to 2022. The analysis will focus on various financial ratios, such as profitability, liquidity, and solvency ratios, to assess the company's financial position. The study will also examine the factors that affect the financial performance of the company and identify areas that require improvement.

The report begins with an overview of the cement industry in India, followed by a brief introduction to Chettinad Cement. The next section discusses the importance of analyzing financial performance and outlines the objectives of the study. The report then provides a brief overview of the methodology used in the study, including the sources of data and the tools used for analysis. Finally, the report provides a summary of the key findings and recommendations for the company's future growth. Overall, the study of financial performance of Chettinad Cement is essential to assess the company's financial position, identify areas for improvement, and provide recommendations for future growth.

OBJECTIVES OF STUDY:
➢ To determine the company’s profitability.
➢ To investigate the company’s liquidity position.
➢ To investigate the company’s solvency position.

RESEARCH METHODOLOGY:
DURATION OF THE STUDY
The study was conducted for the period of 5 years i.e., from 2017-18 to 2021-22.

TYPE OF DATA USED
In this study both Essential and Auxiliary Information were utilized.

SOURCES OF DATA USED
➢ PRIMARY DATA
Primary Data are collected fresh or first hand, and for the first time and is original in nature. As this study is mostly based on secondary data, the primary data required are collected through observation of the situation in CHETTINAD CEMENT and personal interview of the concerned officials.

➢ SECONDARY DATA
This project is based on secondary information collected through five years’ annual report of the company, supported by various books and internet sites.

LIMITATIONS OF RATIO ANALYSIS
1. Limited Comparability
2. False Results
3. Effect of Price Level Changes
4. Qualitative factors are ignored
5. Effect of window-dressing
6. Costly Technique
7. Misleading Results
8. Absence of standard university accepted terminology

TOOLS USED IN THE ANALYSIS:
➢ Ratio Analysis.
➢ Trend Analysis.

REVIEW OF LITERATURE:

George Philip, (2018), “A Study on Financial Performance of Syndicate Bank, Mallapuzhassery Branch”. The analysis made on the profitability position of South Indian Bank Ltd. Would help to understand the position of bank and suggestions provided would help the policy makers to improve the bank’s profitability. More specifically the objectives of the study are to analyze the liquidity position of the bank, to test the profitability position of the bank, to test the profitability position of the bank, to predict the major indicators of the bank and to suggest suitable remedial measures.

P. Sandeep, (2019) “A Study on the Financial Performance of South Indian Bank Limited, Thrissur”. The objective of the study is to analyze the liquidity position of the bank, to test the profitability position of the bank, to test the profitability position of the bank, to rest test the profitability position of the bank, to predict for some of the major indicators of the bank and to suggest suitable remedial measures. Th data pertaining to the advances, deposits, current assets, fixed assets borrowings interest, liabilities etc.

Joseph Louis, (2021), “A Study on Financial Performance of Aspin wall and Company Ltd, Cochin”. The study also shows that the profitability is not stable and so the company should take effective decisions at the right time so as to rectify the weakness and it will result in the business’s effective operation. On the whole company is having a bright future ahead.

OVERVIEW OF THE COMPANY:

Chettinad cement is India’s largest exporter of cement clinker, with markets in Africa, Europe, the Middle East, and the Indian Ocean. Chettinad cement and its subsidiaries have a presence in 5 countries through 11 integrated plants, 1 white cement plant, 1 clinkerisation plant, 15 grinding units, 2 rail and 3 coastal terminals and 101 RMC plants. The majority of the plants are certified by ISO 9001, ISO 14001, and OHSAS 18001. Additionally, four plants have SA 8000 certification and two have ISO 27001 certification. For the remaining plants, the certification process is currently underway. About 30% of the country’s exports come from the company, which exports more than 2.5 million tonnes annually. Ordinary Portland cement, Portland Pozzolana cement, and Portland blast-furnace slag cement are among the products offered by Ultra Tech. In 2000, Chettinad cement cement changed its name to Larsen & Toubro.

DATA ANALYSIS AND INTERPRETATION:

This is the main device accessible to monetary examiners for their work. The mathematical connection between two accounting figures that are related to one another is shown by an accounting ratio. The systematic use of accounting ratios to weigh and evaluate a company’s operating performance is referred to as ratio analysis. It is the process of determining and interpreting various ratios for decision making. A ratio is simply the expression of one number in relation to another number. It’s about how two numbers relate numerically. Divide one figure by the other to get it. Ratio can be expressed in three ways namely in times, in proportion, in percentage.

LIQUIDITY RATIO

The company’s capacity to meet its upcoming obligations is referred to as its liquidity. A company’s liquidity position, or short-term financial position, is measured by liquidity ratios. The liquidity position is of interest to the material creditors and bankers. Realizing amounts from current, circulating, or floating assets is how the short-term obligations are met. The current assets ought to be liquid or close to it. The mostly used liquid ratios are:

➢ Current Ratio
➢ Quick Ratio
➢ Net Profit Ratio

The items for ratio analysis were obtained from the Balance Sheet and Profit & Loss Account during the period 2017-2018 to 2021-2022.

CURRENT RATIO

The relationship between current assets and current liabilities is what is meant by the term “current ratio.” It is the ratio between total current assets and total current liabilities. It is a measure of general liquidity and is most widely used to make the analysis of short-term financial position or liquidity of a firm. A 2:1 current ratio is considered acceptable.

Current ratio = Current Assets/Current liabilities

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<tbody>
<tr>
<td>Current Assets</td>
<td>552.905</td>
<td>843.394</td>
<td>794.039</td>
<td>860.335</td>
<td>791.416</td>
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<tr>
<td>Current Liabilities</td>
<td>293.756</td>
<td>331.340</td>
<td>470.986</td>
<td>525.217</td>
<td>489.187</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>1.88</td>
<td>2.545</td>
<td>1.685</td>
<td>1.638</td>
<td>1.617</td>
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QUICK RATIO

Quick ratio is a measure of a company’s liquidity and ability to meet its obligations. Quick ratio, often referred to as acid-test ratio, is obtained by subtracting inventories from current assets and then dividing by current liabilities. Quick ratio is viewed as a sign of company’s financial strength or weakness.

Quick Ratio = Current Assets-Inventory/Current liabilities
NET PROFIT RATIO

Net Profit Ratio shows the relationship between Net Profit of the concern and Its Net Sales. In order to work out overall efficiency of the concern Net Profit ratio is calculated. This ratio is helpful to determine the operational ability of the concern. While comparing the ratio to previous years’ ratios, the increment shows the efficiency of the concern.

Net profit ratio = Net profit/Net Sales

COMMUNITY BALANCE SHEET

INTERPRETATION

- From the analysis of financial pattern it is understood that out of the total investment, 36.51 % of the funds are proprietor funds and outsiders fund accounts to 45.94%. Companies nowadays typically rely more on funds from outside sources.
- The percentage of current assets is more than the percentage of current liabilities which is in turn satisfactory for the adequacy of the working capital.
- Fixed assets accounts for 57.27% of total assets while long term funds accounts for 82.45% which means long term funds have used for the working capital purposes.
- As far as the company is not facing any problem relating to working capital or raising of long term loans. So the financial position of the company is satisfactory.
FINDINGS:
- Company’s financial position is satisfactory up to a limit.
- Most of the time the company is purchasing the fixed assets from short term sources which in turn affects the liquidity position.
- During the analysis period the company has not raised any type of shares.
- Withdrawal of investments is seen the year 2020-2021 and 2021-2022. It might be because of the internal investment due to the increase in capacity utilization which is also justified by the increase in capital in progress during the above mentioned years.
- Investment in Current Assets shows a hike during the year 2018-2019 and 2020-2021 when compared to the remaining period. This may be due to the increase in inventory or receivables which may be an indicator of dull business or poor receivables management or liberal credit policy.

SUGGESTIONS:
- The Net working capital of the company shows a declining trend. So a little more concentration is required in improving the working capital position of the company.
- The Fixed Assets are financed with Owners equity and Creditors Equity. 2018-2019 shows the highest ratio of 1.98:1. It indicated that the owners equity is only around 50% of the investment in Fixed Assets. It’s a matter of serious concern. If the company is progressing well, obviously no problem. But on the otherwise during the days of fall in business, it becomes highly risky.
- The company should give attention to increase the procurement and generation of funds and their utilization.

CONCLUSION:
The study was conducted in CHETTINAD CEMENT The objective of the study was to analyse the financial performance of the company. The data collected for this study is secondary data and the data were collected for the last 5 year annual reports. Ratio analysis and comparative balance sheets are the major tools used for the study. From the analysis done, interpretations made, we come to the conclusion that the overall financial performance of the company seems to be satisfactory, but the company has to follow suitable strategies to sustain the performance in the years to come.

REFERENCE:

JOURNALS:
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- International Journal of Research.
- International Journal of Informative and Futuristic Research.
- International Journal of Multidisciplinary Research and Development.

BOOKS:

WEBSITES:
- info@chettinad_cement_control_systems.com
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