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A Study On Financial Analysis Of TANCEM Cement Company In Tamil Nadu - INDIA

Dr. V. Balakrishnan
Department of Commerce,
T.U.K. Arts college karanthai, Thanjour

Prof. G. Kothandapani
M.Com., M.Phil., Department of Commerce,
Prist University, Thanjavur

Dorothy Jerry.J
M.Com., Department of Commerce,
Prist University, Thanjavur

Abstract: ***Financial is regarded as the life blood of a business enterprise. It is the process of establishing and interpreting various financial analyses helping in creation of certain decisions. It is only a means of improved kind of financial strengths and weaknesses of a firm. The cement company is growing fast and to know, how the financial performance of the cement companies playing a vital role in India. The main of this study is to ascertain the financial analysis of the TAMCEM Cement Company. As said earlier finance is said to be life blood of any business every business under taking needs finance for its smooth working this research is analytical research in nature. The data analysis was done using the descriptive statistics and ratio analysis. The results of the analysis clearly indicate that financial position Cement Company is very good.***

Keywords: Current Ratio, Liquidity Ratio and Net profit Ratio

I. INTRODUCTION

Cement is a global commodity, manufactured at thousands of local plants. The cement industry in India is dominated by around 20 companies, which account for almost 70 per cent of the total cement production in India. China is the fastest growing market today. Because it is both global and local, the cement industry faces a unique set of issues, which attract attention from communities near the plant, at a national and an international level. With the government of India giving boost to various infrastructure projects, housing facilities and road networks, the cement industry in India is currently growing at an enviable pace.

OBJECTIVES

- ✓ To analyses the production and sales trend of TANCEM cement company.
- ✓ To the short term and long term financial feasibility of TANCEM Cement Company.
- ✓ To the factors that influences the profitability status of TANCEM Cement Company.

II. DATA COLLECTION

The primary and secondary data are used for analysis. The primary data required for the study, have been collected through personal visits, interviews of the concerns. On the other hand, secondary data have been acquired through periodicals, newspapers, annual reports and accounts of the Cement Company to study the financial position and performance analysis from the year 2008-2009 to 2012-2013.

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III. ANALYSIS OF STATEMENT

The analysis is done by properly establishing the relationship between the items of balance sheet and profit and loss account the first take of financial analyst is to determine the information relevant to the decision under consideration form the total information contained in the financial statement. Financial analysis is a new area emphasized by the productive utilization of their available funds created out of good cash flow, financial solvency and growth strategies.

IV. PROFILE OF TANCEM CEMENT UNIT

Tamil Nadu Cements Corporation Limited (TANCEM) , a wholly owned Government of Tamil Nadu undertaking, started business from 1st April 1976 with an authorized share capital of Rs. 18 crores taking over cement plant at Alangulam and setting up another plant at Ariyalur in the year 1979. TANCEM, as its expansion and conversion activities, set up Asbestos Sheet unit at Alangulam during 1981. TANCEM also took over during 1989, a Stoneware pipe plant from TACEL with a view to provide employment to the retrenched employees.

TANCEM has, thus become a multi plants, multi locations and multi products company with an annual turnover of around Rs. 250 crores and the authorized capital as of now is Rs. 37.43 Crores. The Company has its main objective in production of cement and cement based products and primarily caters to the needs of Government departments. Major consumption is by Government Departments for their construction activities such as Bridges, Dams, and High raised Multistory Buildings etc. It has a wide network of stockiest in both Tamilnadu and Kerala. Modernization of plant is on Portland Pozzalana Cement (PPC), Ordinary Portland Cement (OPC) [43 Grade] are manufactured at this unit. Limestone being the main raw material, the Company acquired and reserved enough Limestone bearing lands in and around Alangulam and Ariyalur, which are sufficient to run the Cement plants for decades to come. Hence, the role of TANCEM in the development of state is immense.

Commercial production in this unit was commenced during October 1979. Set up with a capital outlay of Rs.29 crores and a rated capacity of 5 lakhs tonnes per annum of Cement, this unit provides direct employment 734 people and indirect employment to 1500 people. With the best Limestone deposit available, it is able to produce the high quality Cement of various grades and supplies to Government Departments and Public. Wide appreciations have been received from various quarters for its ARASU brand cement being marketed in Tamil Nadu and Kerala. Tamil Nadu Cement Corporation Ltd (TANCEM) to offload 25 percent Cement production in open market

Tamilnadu Cements Corporation Limited, a State Government Undertaking, is manufacturing high quality Arasu Brand Cement of PPC, OPC 43 Grade and OPC 53 Grade as per B.I.S. in their two factories. The cement manufactured by TANCEM is being used both by Government Departments and general public. A number of Government buildings such as Collectorates, TNHB Towers, shopping complexes, bridges, power plants, etc. have been constructed using "ARASU CEMENT" exclusively.

RATIO ANALYSIS

The ratio analysis on financial analysis of TANCEM Cement Company helps to identify their strengths and weaknesses. In this regard, the following ratios are used. These ratios have been widely accepted and applied by the researchers in the field financial management.

- ✓ Current Ratio
- ✓ Liquidity Ratio
- ✓ Gross profit
- ✓ Net profit

CURRENT RATIO

Current ratio may be defined as the relationship between current assets and current liabilities it is the most common ratio for measuring liquidity. It is calculated by dividing current assets and current liabilities. Current assets are those, which can be realized with in a period of one year. Current liabilities are those amounts, which are payable with in a period of one year. This ratio is also known as Cash asset ratio, cash ratio, and liquidity ratio.

Current Ratio = current Assets/ Current liabilities

The Current ratio analysis of the TANCEM Cement Company is presented in Table and Figure 1 (Rs. In lakhs)

Year	Current assets	Current liabilities	Current Ratio
2008-2009	5.0	3.5	1.43
2009-2010	7.0	4.0	1.75
2010-2011	7.0	4.0	1.75
2011-2012	7.0	4.0	1.75
2012-2013	7.0	3.5	2.00

Source: Secondary data

Table 1

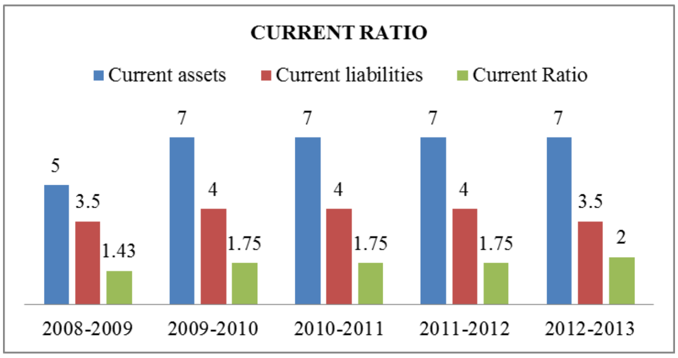

Figure 1

INTERPRETATION

The above table and diagram shows that the current ratio in the year 2008-09 was 1.43 and then it increases from 2009-10 to 2012-2013, that the current ratio of TANCEM is very strong the standard current ratio of 2:1. TANCEM maintains its ratio same level from second year more than lost year this level in increase. The financial position of TANCEM Cement Company is very well.

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LIQUIDITY RATIO

The ability of a firm to pay its short-term obligation and when they become due, the term quick assets or liquid assets refers current assets which can be converted into cash immediately and it comprises all current assets except stock and prepaid expenses it is determined by dividing quick assets by quick liabilities. The quick ratio also referred as the acid test ratio or the quick assets ratio this ratio is a gauge of the short term liquidity of a firm.

Liquidity ratio = Liquid assets/ Liquid liabilities

The Liquidity ratio analysis of the TANCEM Cement Company is presented in Table and Figure 2 (Rs. In lakhs)

Year	Liquid assets	Liquid liabilities	Liquidity ratio
2008-2009	4.0	3.5	1.14
2009-2010	6.0	4.0	1.50
2010-2011	5.0	4.0	1.25
2011-2012	5.0	4.0	1.25
2012-2013	4.5	3.5	1.28

Source: Secondary data

Table 2

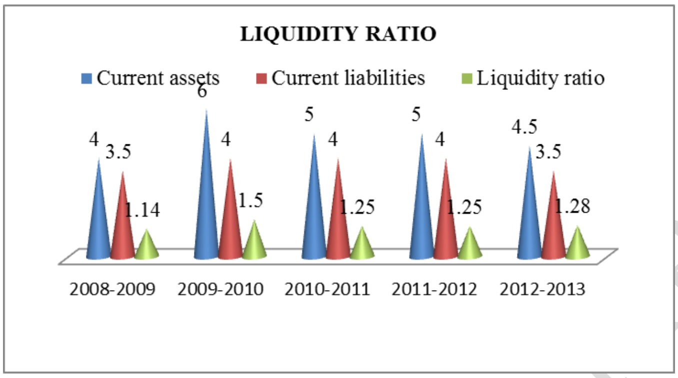

Figure 2

INTERPRETATION

The above table and diagram shows that the liquidity ratio during the study period is higher than the normal (i.e.) 1:1from 2008-2009 to 2009-2010. It was 1.25 in the year 2010-2011 and 2011-2012 in the same reduced. This is more than the lost year increased from first year. Hence the firm is normal controlling its stock position because there are normal relationship between current ratio and liquidity ratio.

PROFITABILITY POSITION OF THE TANCEM CEMENT COMPANY

The most important financial objective of any business is to earn profit. Profitability analyses for the purposes of competition analysis are fraught with practical problems and have been criticized heavily on theoretical grounds. Profitability provides overall performance of a company and useful tool for forecasting measurement of a company's performance. The overall objective of a business is to earn a satisfactory return on the funds invested in it, while maintaining a sound financial position, profitability measures financial success and efficiency of management. The profitability ratios are calculated to measure the overall efficiency of the business. The groos profit and net profit of TANCEM cements company in Tamil Nadu for a period of 5 years during study period.

Gross profit ratio is a profitability ratio that compares the gross profit of a business to the net sales. This ratio measures how profitable a company sells its inventory or merchandise. In other words, the gross profit ratio is essentially the percentage markup on cost of goods sold. This is the pure profit from the sale of inventory that can go to paying operating expenses.

The gross profit ratio shows the proportion of profits generated by the sale of products or services, before selling and administrative expenses. In essence, it reveals the ability of a business to create sellable products in a cost-effective manner. The ratio is of some importance, especially when tracked on a trend line, to see if a business can continue to provide products to the market place for which customers are willing to pay. The gross profit ratio is used as one indicator of a business's financial health. It shows how efficiently a business is using its materials, labours in the production process, and gives an indication of the pricing. Cost structure, and production efficiency of a business.

Gross profit ratio is a profitability ratio that shows the relationship between gross profit and total net sales revenue. It is a popular tool to evaluate the operational performance of the business. The ratio is computed by dividing the gross profit figure by net sales. When gross profit ratio is expressed in percentage form, it is known as gross profit margin or gross profit percentage. The formula of gross profit margin or percentage is given below:

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

The Gross profit ratio analysis of the TANCEM Cement Company is presented in Table and Figure 3 (Rs. In lakhs)

Year	Gross profit	Net sales	Ratio *100%
2008-2009	1.3	11.0	11.82
2009-2010	3.3	16.0	20.63
2010-2011	1.6	15.0	10.67
2011-2012	1.3	12.5	10.40
2012-2013	.4	16.0	2.50

Source: Secondary data

Table 3

The average Gross Profit Ratio (GPR) of TANCEM is 11.82 percent in the first year. Its Gross profit ratio increased second year only, the next two year constant gross profit ratio from 2010 to 2012. In the following year it has come down to 2.50 percent which is lowest Gross profit ratio observed for a year. TANCEM's Gross profit ratio is not stable and erratic in lost years. A high-level fluctuation is found in the Gross profit ratio of TANCEM.

NET PROFIT

Net profit represents the number of sales rupees remaining after all operating expenses, interest, taxes and preferred stock dividends have been deducted from a company's total revenue. Net profit is also referred to as the bottom line, net income, or net earnings. Net profit is found on the last line of the income statement, which is why it is often referred to as the bottom line. The formula for net profit is as follows: Total revenue – Total expenses = Net profit

A ratio of profitability calculated as net profits divided by sales. It measures how much out of every rupee of sales a Company actually keeps in earnings. Profit margin is very useful when comparing Companies in similar industries. A higher profit margin indicates a more profitable Company that has better control over its costs compared to its competitors. Net profit is one of the most closely followed numbers in finance, and it plays a large role in ratio analysis and financial statement analysis. Shareholders look at net profit closely because it is the source of compensation to shareholders of the Company, and if a Company cannot generate enough profit to compensate owners, the value of shares will plummet. Conversely, if a Company is healthy and growing, higher stock prices will reflect the increased availability of profits. Net profit varies greatly from Company to Company and from industry to industry. Because net profit is measured in rupees and Companies vary in size, it is often more appropriate to consider net profit as a percentage of sales, known as "profit margin." Net profit ratio (NP ratio) is a popular profitability ratio that shows relationship between net profit after tax and net sales. It is computed by dividing the net profit (after tax) by net sales. Net profit margin

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

The Net profit ratio analysis of the TANCEM Cement Company is presented in Table and Figure 3 (Rs. In lakhs)

Year	Net profit	Net sales	Ratio *100%
2008-2009	.8	11.0	7.27
2009-2010	3.0	16.0	18.75
2010-2011	1.6	15.0	10.67
2011-2012	1.2	12.5	9.60
2012-2013	.3	16.0	1.88

Source: Secondary data

Table 4

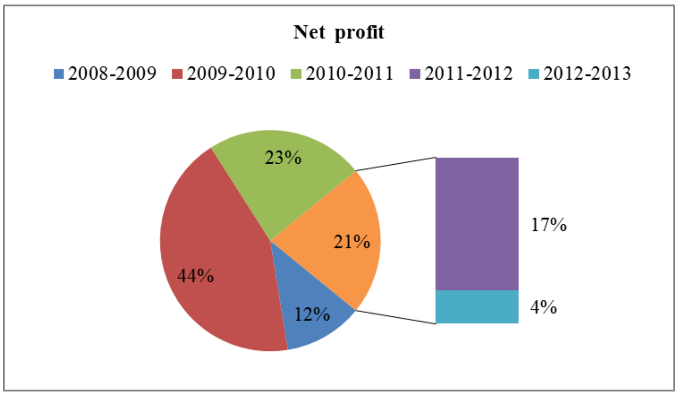

Figure 3

The average Net Profit Ratio (NPR) of TANCEM is 10.67 percent in 2010-2011. Its Net profit ratio increased second year only, the next 4th and 5th year Net profit ratio decrease level. A high-level fluctuation is found in the Net profit ratio of TANCEM in the lost year study period. The financial position of Net profit ratio is normally functions of TANCEM Cement Company.

V. CONCLUSION

The study reveals that the financial performance is good position. It has been maintaining well financial performance and further it can improve the Cement Company concentrates on its all expenses reducing. The company should be increase sales volume as well as gross profit and Net profit normal position but well safe of finance status. Despite price drops in various products, the company has been able to maintain low expense and grow its market share to make strong margins in market and contribute to the strong financial position of the TANCEM Cement Company in state of Tamil Nadu.

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