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## A STUDY ON RATIO ANALYSIS OF J.K CEMENT LIMITED COMPANY

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**ABSTRACT :** The present study of the research entitled “A STUDY ON RATIO ANALYSIS OF J.K CEMENT LIMITED COMPANY ”. The study was based on secondary data from records, reports and profile of the organization. The validity of any research is based on the systematic method of data collection analysis. The Ratio analysis is the process of identifying the financial performance, financial soundness and cost effectiveness of the firm by establishing relationship between the items of balance sheet and profit and loss a/c. The present study has thrown major concentration in ratio analysis from 9 years balance sheet and 9 years profit and loss a/c. An objective of the study includes determination of the solvency position of company, knowing the financial status of the company, the credit worthiness of the company, analysis of the profitability position of the company and other experience company overall financial performance of the company. Based on the 9 years balance sheet and 9 years profit and loss a/c, appropriate suggestion were given by the researcher for a better soundness and cost effectiveness of the company.

**Keywords :** Ratio analysis, financial status, credit worthiness and cost effectiveness

### INTRODUCTION

J.K.Cement started its commercial production in May 1975 in its first plant Nimbahera in Rajasthan. The company was incorporated in the year 1994. Today J. K. Cement is one of the largest cement manufacturers in north India. It is also second largest producer of white cement in India. The company exports white cement to countries like South Africa, Nigeria, Singapore, Bahrain, Bangladesh, Sri Lanka, Tanzania, UAE and Nepal.

The company has two manufacturing facilities located at Nimbahera and Mangrol in the state of Rajasthan. The company produces white cement and its production unit is located in Gotan at Rajasthan. During August 2009, Allahabad HC had sanctioned the scheme of amalgamation of Jaykaycem a wholly owned subsidiary with the company. Jaykaycem was implementing 3 million tones per annum Green Field Grey Cement Plant at Mudhol, District Bagalkot, Karnataka state which was at final stage of implementation. The installed capacity of grey cement of JK Cement with the merger increased to 7.5 million tones per annum.

These plants have received various certifications ISO–9001:2000 for quality management system, ISO–14001:2004 for environment management systems and OHSAS–18001:2005 for occupational health and safety systems. J K Cement produces ordinary Portland cement of 53–grade, 43–grade and 33–grade. It markets these cements under the brand name J K cement and Sarvashakitman. It also manufactures

Portland Pozzolana Cement and markets it under the name J K Super. It markets white cement under the name J K White and Camel.

## REVIEW OF LITERATURE

- 1) **K. Anwa, G. Marliani, C. I. Gunawan;(2016)** Financial Ratio Analysis For Increasing The Financial Performance Of The Company At Bank; The main objective of this research was to identify how ratio analysis are helpful to increasing the financial performance; This study uses the secondary data for their research; This study provide an insight how to keep the companies can survive and develop accordance with the demand of the financial health.
- 2) **R.Malini, Dr.O.T.V.Latasri, N.Manjula (June, 2014)** in that study “A study on Financial Performance of Ashok Leyland Limited at Chennai” The objective of that study was to analyse the financial performance of Ashok Leyland Limited to analyse the future of performance potentials and profitability position. Company had been maintaining good financial performance, further it can improve if the company concentrate on its operating, administrative & selling expenses by reducing expenses. Company should increase sales volume as well as gross profit.
- 3) **K.T. Srinivas (June 2012)**, The Karnataka Power Corporation Limited (KPCL) is mainly involved in the generation of power and is the sole administrator for the power generation in the state. It was formed on 20th July 1970 as a sister concern to Karnataka Electricity Board (KEB) in order to eradicate the power famine of the state. The study was conducted to analyze the financial performance of Karnataka Power Corporation Limited with the help of various ratios. From the present study it was found that company financial performance was seeing to be sound, because the company trying to increase its production and also net profit.

## RESEARCH METHODOLOGY

The researcher adopted the analysis of data in a manner that to combine relevance to purpose with economy in procedure. Research design is the base of defining the research problem. In view of the objective of the study, a descriptive research design has been adopted. The project data has been already collected and analyzed by such as annual reports, internal records, journals, magazines, newspapers, websites and any many more sources which are available on online or offline platform. Different different charts have been used to analyze the data of 9 years from 2012 to 2020.

## OBJECTIVES OF THE STUDY

- ✓ To determine the solvency position of company.
- ✓ To know the financial status of the company.
- ✓ To know the credit worthiness of the company.
- ✓ To analyze the profitability position of the company.

## ANALYSIS OF DATA

Analysis of the data depends upon the data collected and interpretation of the data depends upon the data analysed. Following are the data collection, analysis and interpretation of the financial data of J.K CEMENT LIMITED COMPANY.

### 1. Current ratio

Current ratio implies the financial capacity of a company to clear off the current obligations by using its current assets.

**Formula:**

Current ratio = current assets / current liabilities

Any current ratio lower than 1 implies a negative financial performance for that business or individual. A current ratio below one is indicative of one's inability to pay off the present time monetary obligations with their assets.

year	Mar-20	Mar-19	Mar-18	Mar-17	Mar-16
current asset	2,115.49	1,895.21	1,556.13	1,348.57	1,510.46
current liability	1,619.58	1,436.38	1,175.38	1,140.95	1,170.34
current ratio (RS.)	1.31	1.32	1.32	1.18	1.29

15-Mar	14-Mar	13-Mar	12-Mar
1,292.76	1,032.49	1,084.70	934.57
978.12	901.04	737.67	663.6
1.32	1.15	1.47	1.41

**Interpretation:**

Seeing the above data, the current ratio in the beginning was 1.41 it increased to 0.47 in the next year thereafter decreased and increase bit by bit to 2017 then remained constant for two years and was 1.31 in march 2020. in every year the current asset of the company is more than the current liability that is advantageous point for the company.

**2. DEBT-to-ASSET RATIO**

This is the ratio which is a relation between the total debt of the company to its assets and this is used to understand how much debt is used to finance the assets of the company.

Formula: Debt-to-Asset = Total debt / Total Assets

High debt to asset ratio shows that the company has more debt than its assets and low debt to asset ratio shows that the company has less debt than its assets.

year	20-Mar	19-Mar	18-Mar	17-Mar
Total non current liability	3,106.60	2,618.08	2,661.08	2,830.60
Total current liability	1,619.58	1,436.38	1,175.38	1,140.95
Total liability	4,726.18	4,054.46	3,836.46	3,971.55
Total non-current assets	5,739.59	5,052.05	4,427.68	4,494.51
Total current assets	2,115.49	1,895.21	1,556.13	1,348.57
Total asset	7855.08	6947.26	5983.81	5843.08
debt to asset ratio (Rs.)	0.60	0.58	0.64	0.68

	16-Mar	15-Mar	14-Mar	13-Mar	12-Mar
	2,794.25	2,572.01	2,366.16	1,303.51	1,313.67
	1,170.34	1,129.48	978.12	901.04	737.67
	3,964.59	3,701.49	3,344.28	2,204.55	2,051.34
	4,168.55	3,966.55	3,809.98	2,869.44	2,495.65
	1,510.46	1,381.48	1,292.76	1,032.49	1,084.70
	5679.01	5348.03	5102.74	3901.93	3580.35
	0.70	0.69	0.66	0.56	0.57

**Interpretation :**

The debt to asset ratio is between 55 to 70 percentage among 2012 to 2020. Every year debt to asset ratio is less than 1 means below 100 percentage that is the advantageous for the investor, creditor, supplier, bank and other financial institution. In 2019, the debt to asset ratio was 0.58 was increased by 0.20 in the latest year so that indicates dangerous but it is below 1 that is the good sign.

**3. Stock turnover ratio**

It helps in understanding the relationship between inventory/average stock and the cost of goods sold. Stock turnover ratio is also known as inventory turnover ratio or stock velocity ratio as it indicates the speed of stock conversion into sales or revenue.

**Formula:**

Stock Turnover Ratio = COGS / Average Inventory

Higher Stock Turnover ratio shows that a business is generating sufficient revenue and goods purchased are converting into sales rapidly. This helps the management to schedule inventory reordering. On the other hand, lower Stock Turnover ratio depicts the slow conversion rate of the stock into revenue.

Year	20-Mar	19-Mar	18-Mar	17-Mar
COGS	5462.65	4981.78	4593.11	3755.45
Inventory	627.17	557.87	531.61	498.07
Inventory turnover ratio (Rs.)	8.71	8.93	8.64	7.54

16-Mar	15-Mar	14-Mar	13-Mar	12-Mar
3561.54	3349.32	2796.46	2911.31	2547.07
474.24	509.79	541.95	461.38	362.83
7.51	6.57	5.16	6.31	7.02

**Interpretation :**

From the above data, we can understand that the inventory turnover ratio is increasing and that is good. The higher ratio shows that the the conversion of purchased goods into sales is high whereas the lower ratio shows that the conversion of purchased goods into sales is low. From 2018 to 2020, the ratio has been almost 8 that is the good sign among all the years. It can attract the investors to invest because goods are sold too fast so early revenue will be generated.

#### 4. Gross Profit Margin

It measures how much sales income a company has left over after it covers the cost of goods sold (COGS). This figure is known as a company's gross profit margin.

Formula

$$\text{Gross Profit} \div \text{Revenue ( Net Sales)} = \text{Gross Profit Margin \%}$$

A higher gross profit margin indicates that you have more money left over to cover operating expenses, taxes, depreciation, and other business costs. It may also result in higher ending profits for owners and shareholders and vice versa.

Year	20-Mar	19-Mar	18-Mar	17-Mar
Gross Profit	830.16	473.57	456.69	343.75
Revenue	5,549.65	5,061.21	4,718.86	3,854.87
Gross profit margin(Rs)	0.15	0.09	0.10	0.09

16-Mar	15-Mar	14-Mar	13-Mar	12-Mar
143.13	159.15	136.27	340.63	293.61
3,610.32	3,408.52	2,843.78	2,960.64	2,593.62
0.04	0.05	0.05	0.12	0.11

#### Interpretation :

From the above data, The ratio was the least in 2016 and was the highest in 2020. In the latest year, the ratio has been the most so the company's gross profit has improved the recent year and that shows the good point for the company and even investors and suppliers can also get the attraction towards the company. The company should try to improve every year and maintain with the maximum number.

#### 5. Return on Assets

It indicates how good your company is at turning its investments into a profit. Put another way, ROA measures how successfully your company uses the assets at its disposal to improve its bottom line.

Formula

$$\text{Net Income} \div \text{Total Assets} = \text{Return on Assets \%}$$

A high ROA may indicate that your company can earn income efficiently using its available assets and vice versa.

Year	20-Mar	19-Mar	18-Mar	17-Mar
Net income	400.38	324.9	341.87	210.78
Total asset	44310.38	44233.9	44249.87	44117.78
Return on asset (RS)	0.009	0.007	0.008	0.005

16-Mar	15-Mar	14-Mar	13-Mar	12-Mar
101.54	156.92	97.03	233.55	177.33
44007.54	44061.92	44001.03	44136.55	44079.33
0.002	0.004	0.002	0.005	0.004

### Interpretation :

The return on asset ratio shows that the return earned is how much percentage of the total asset of the company or against the total asset of 1 rupee, the return earned is how much rupee. Here the shape of the return on asset ratio in above chart is zigzag so it means the fluctuation so in one year, it was high. In another year, it was low. This ratio saw the sound position from 2018 to 2020 because it has been more than 0.005 or 0.50% so nowadays the company is running well with this ratio but from 2012 to 2017, this ratio was negative so improved from 3 years so now try to maintain the number which currently has or improve the number if possible.

( Sources : Secondary data )

### SUMMARY OF DATA COLLECTION

No.	Ratio	Result
1	Current ratio	Steady
2	Quick ratio	Improving
3	Cash ratio	Improving
4	Absolute liquidity ratio	Deteriorating
5	Debt to pbt ratio	Deteriorating
6	Debt to equity ratio	Deteriorating
7	Debt to liability ratio	Steady
8	Debt to Asset ratio	Improving
9	Stock turnover ratio	Steady
10	Debtor turnover ratio	Steady
11	Creditor turnover ratio	Deteriorating
12	Working capital turnover ratio	Improving
13	Gross profit margin	Improving
14	Operating profit margin	Improving
15	Net profit margin	Steady
16	Return on asset	Improving
17	Return on liability	Improving
18	Return on equity capital	Improving

## SUGGESTIONS

- ✓ The company has maintained its position but try to increase the profit maximization and has to decrease the operating expenses.
- ✓ By considering the profit maximization in the company the earning per share, investment and working capital also fluctuates. Hence, the outsiders can be interested to invest.
- ✓ The company should maintain sufficient cash and bank balances; they should invest the idle cash in marketable securities or short term investments in shares, debentures, bonds and other securities.

## CONCLUSION

The study conducted on ratio analysis of J.K CEMENT LIMITED COMPANY gives a view of analysis of the company. Based on the tools used analysis and interpretation have been made giving way for useful and constructive suggestions. Thus the ratio analysis of the company is satisfactory. The company should enhance its performance for meeting challenges and exploiting opportunities in future. The project will guide to the management to interpret its weakness and problems. This will certainly help the management to taking financial decision. However Efforts to some extent need to be taken to improve the financial position of the company.

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