IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

An Analysis Of Financial Performance Of India Cements Limited

[1*]Dr. R. Mayilsamy [2*]Mr. Arun Thiyagarajan R

[1*]ASSOCIATE PROFESSOR, DR. N.G.P. ARTS AND SCIENCE COLLEGE, COIMBATORE, TAMIL NADU, INDIA

[2*]STUDENT, DR. N.G.P. ARTS AND SCIENCE COLLEGE, COIMBATORE, TAMIL NADU, INDIA

Abstract: The current study examines the short- term solvency and profitability of India Cements Company Limited which has been examined for its financial health for 2019- 2024. The current ratio, i.e., the company's capacity to satisfy short- term obligations, improved but did not touch best practice, meaning the possibility of liquidity problems. Profitability indicators such as Net Profit Margin and Return on Capital Employed (ROCE) have been unstable in the past and have currently dipped into negative values. That reflects cost inefficiency and operating inefficiency. Although the firm has a sufficiently sustainable capital structure, the analysis believes that better cost control and planning are the turning points to greater liquidity and profitability.

Keywords: Profitability, current ratio, ROCE.

I INTRODUCTION

India Cements Limited is one of the largest cement companies in the Indian cement sector and is a basic contributor to the country's infrastructure development. The examination in this case will seek to examine the financial performance of the company based on its most significant financial reports, including the income statement, balance sheet, and cash flow statement. The study will look into fields like revenue expansion, profitability, and cost effectiveness. With a comparison to the industry benchmarks and the competitors, this study aims to provide some indication of the financial health of the company. The goal is to provide the stakeholders with a clear idea of India Cements' financial health and potential for growth in the future.

OBJECTIVES OF THE STUDY

- To analyze Profitability using Net Profit Margin and ROCE.
- To assess short- term solvency if India Cements Ltd (2019-2024)

II STATEMENT OF PROBLEM

India Cements Limited (ICL), one of the leading companies in the Indian cement sector, has experienced mixed financial performance in recent years, affected by issues of as market volatility, increasing cost of input, and stiff competition. In spite of its consolidated position, the company's 1 profitability, cost discipline, liquidity, and debt control have been areas of concern to stakeholders. The financial performance analysis of ICL is essential in understanding reasons behind such difficulties and whether the strategies of the company are working well to ensure long-term growth and stability. The key aim of the study is to analyze critical financial indicators, determine weak areas, and judge whether the company can withstand industry pressures. The aim is to make suggestions on how to improve ICL's financial position and maintain its competitive advantage in an ever-changing market situation.

III RESEARCH METHODOLOGY

TOOLS AND TECHNIQUE USED

The analysis has been made through secondary data

- Current ratio
- Operating profit ratio
- Net profit ratio
- Return on capital employed
- Return on equity

LIMITATION OF THE STUDY

The above research was targeted to a specific period of time in the case of merely financial years 2019–2020 to 2023–2024. Hence, conclusions might not reveal India Cements Limited's long-term financial patterns as a whole. Additionally, the studies are limited to a specific set of financial ratios, and they might not be adequate to reveal the entire picture of the company as a whole in financial status. A more in-depth analysis would be based on a larger volume of economic data and over a longer time span.

IV ANALYSIS AND INTERPRETATION

THE TABLE SHOWING THE CURRENT RATIO OF ICL

TABLE 4.1

YEARS	CURRENT ASSETS (Figures in Rs. lakhs)	CURRENT LIABILITIES (Figures in Rs. lakhs)	CURRENT RATIO
2019-2020	217648.91	283793.20	0.768
2020-2021	165045.98	253728.29	0.650
2021-2022	238186.18	268968.31	0.885
2022-2023	319855.36	277570.48	1.15
2023-2024	256428.34	274106.32	0.94
AVERAGE	**1197164.77**	**1358166.6**	**0.88**

The table shows the company's current ratio over five years, which measures its ability to cover short-term liabilities with current assets. The ratio has fluctuated, starting at 0.768 in 2019-2020 and decreasing to 0.650 in 2020-2021, indicating liquidity concerns. It improved to 0.885 in 2021-2022 and further rose to 1.15 in 2022-2023, reflecting a healthier financial position. However, the ratio dropped slightly to 0.94 in 2023-2024. The average current ratio over the period is 0.88, suggesting that, on average, the company has faced difficulties in fully covering its short-term liabilities.

THE TABLE SHOWING OPERATING PROFIT RATIO OF ICL

TABLE 4.2

YEARS	EBIT (Figures in Rs. lakhs)	REVENUE FROM OPERATIONS (Figures in Rs. lakhs)	OPERATING PROFIT RATIO
2019-2020	3163.04	505754.12	0.625%
2020-2021	32270.65	443666.79	7.27%
2021-2022	5402.90	471311.34	1.15%
2022-2023	-58735.97	538081.03	-10.92%
2023-2024	-29675.77	494243.42	-6.00%
AVERAGE	**-47575.15**	**2453056.7**	**-1.94**

The table presents the company's operating profit ratio over five years, which measures operating profit (EBIT) as a percentage of revenue from operations. In 2019-2020, the ratio was 0.625%, indicating a small operating profit. It significantly improved to 7.27% in 2020 2021, showing strong operational performance. However, in 2021-2022, the ratio dropped to 1.15%, and then turned negative in 2022-2023 (-10.92%) and 2023-2024 (-6.00%), reflecting losses from operations. The average operating profit ratio is -1.94%, suggesting that, on average, the company faced operational challenges and struggled to generate profit over the period.

THE TABLE SHOWING NET PROFIT RATIO OF ICL

TABLE 4.3

YEARS	NET PROFIT (Figures in Rs. lakhs)	REVENUE FROM OPERATIONS (Figures in Rs. lakhs)	NET PROFIT RATIO
2019-2020	-3551.12	505754.12	-0.70%
2020-2021	22203.97	443666.79	5.0%
2021-2022	3898.35	471311.34	0.83%
2022-2023	-18855.19	538081.03	-3.51%
2023-2024	-20251.59	494243.42	-4.09%
AVERAGE	**-16555.58**	**2453056.7**	**-0.67%**

The table shows the company's net profit ratio over five years, which measures net profit as a percentage of revenue from operations. In 2019-2020, the ratio was -0.70%, reflecting a loss. It improved to 5.0% in 2020-2021, showing a strong net profit. However, the ratio declined to 0.83% in 2021-2022 and then turned negative again in 2022-2023 (-3.51%) and 2023-2024 (-4.09%), indicating losses. The average net profit ratio is -0.67%, suggesting that, on average, the company struggled to maintain profitability over the period.

THE TABLE SHOWING RETURN ON CAPITAL EMPLOYED OF ICL

TABLE 4.4

YEARS	EBIT (Figures in Rs. Lakhs)	CAPITAL EMPLOYED (Figures in Rs. lakhs)	ROCE
2019-2020	26606.30	861450.11	3.09%
2020-2021	58765.53	833671.28	7.04%
2021-2022	25805.13	909509.41	2.84%
2022-2023	-17274.47	840993.81	-2.05%
2023-2024	-1423.06	770409.09	-0.18%
AVERAGE	**93479.43**	**4216033.7**	**2.22%**

The table shows the company's return on capital employed (ROCE) over five years, which measures the profitability of capital invested in the business. In 2019-2020, the ROCE was 3.09%, indicating a modest return on capital. It improved significantly to 7.04% in 2020-2021, reflecting better capital utilization. However, in 2021-2022, the ROCE dropped to 2.84%, and then turned negative in 2022-2023 (-2.05%) and 2023-2024 (-0.18%), showing a decline in profitability. The average ROCE over the period is 2.22%, indicating a generally low return on capital employed over the years.

THE TABLE SHOWING RETURN ON EQUITY OF ICL

TABLE 4.5

YEARS	EAES (Figures in Rs. lakhs)	SHAREHOLDERS EQUITY (Figures in Rs. lakhs)	ROE
2019-2020	−3,551.12	532730.46	-0.67%
2020-2021	22203.97	551643.31	4.02%
2021-2022	3898.35	571801.74	0.68%
2022-2023	-18855.19	570847.09	-3.30%
2023-2024	-20251.59	549893.40	-3.68%
AVERAGE	**-16555.58**	**2776916**	**-0.59%**

The table shows the company's return on equity (ROE) over five years, which measures net income as a percentage of shareholders' equity. In 2019-2020, the ROE was -0.67%, indicating a loss for shareholders. It improved to 4.02% in 2020-2021, reflecting positive returns. However, the ROE dropped to 0.68% in

2021-2022, and then turned negative again in 2022-2023 (-3.30%) and 2023-2024 (-3.68%), indicating poor performance and losses for shareholders. The average ROE is -0.59%, suggesting that, on average, the company has not been able to generate significant returns for its equity holders over the period.

V FINDINGS

5.1 CURRENT RATIO

India Cements Limited current ratio fluctuated over the five-year period between 0.768 in 2019–2020, decreasing to 0.650 in 2020–2021, and increasing to a peak of 1.15 in 2022–2023 before falling slightly to 0.94 in 2023–2024. The average ratio was 0.88, reflecting persistent liquidity challenges and the company's weak ability to meet its short-term debts.

5.2 OPERATING PROFIT RATIO

India Cements Limited operating profit margin was extremely volatile, starting from 0.625% for the year 2019–2020 to a peak of 7.27% for the year 2020–2021. It then plummeted drastically for the following years to -10.92% for the year 2022–2023 and -6.00% for the year 2023–2024. The five-year average worked out to be -1.94%, reflecting poor operating efficiency as well as rising cost pressures.

5.3 NET PROFIT RATIO

India Cements Limited's net profit percentage fluctuated, dropping to-0.70 in 2019 – 2020, increasing to 5.0 in 2020 – 2021, before falling consistently to 0.83 in 2021 – 2022. It went into negative at-3.51 in 2022 – 2023 and-4.09 in 2023 – 2024. The average net profit percentage was-0.67, indicating overall poor profitability over the period.

5.4 RETURN ON CAPITAL EMPLOYED

The Return on Capital Employed (ROCE) of India Cements Limited fluctuated greatly over the five years. It was 3.09% for the year 2019–2020, reached a high of 7.04% for the year 2020–2021, fell to 2.84% for the year 2021–2022, and dipped into the negative for the remaining two years with -2.05% for the year 2022–2023 and -0.18% for the year 2023–2024. Its average ROCE was 2.22%, which depicts low and declining returns on capital employed by the company.

5.5 RETURN ON EQUITY

India Cements Limited's Return on Equity (ROE) exhibited volatile performance for five years. It was negative in 2019–2020 (-0.67%), reached its highest at 4.02% in 2020–2021, and collapsed in the subsequent years to again be a negative value of -3.68% in 2023–2024. The average ROE for five years was -0.59%, signifying poor shareholder returns and poor profitability.

VI SUGGESTIONS

India Cements Limited needs to adopt strategic initiatives for financial strengthening by sustaining good cost management and operating efficiency improvement for the purpose of profitability increase. Reducing the current ratio by effective management of current assets and liabilities will improve liquidity. The company should also adhere to practices for diversifying top-line revenue sources to reduce dependence on constrained markets. Greater productivity, capital management, and eliminating unnecessary expenses will drive higher returns. Greater disclosure and communication to stakeholders will serve to rebuild confidence among investors as well. Concentrating more on innovation and sustainability in business will also drive more competitive positioning and long-term development.

VII CONCLUSION

India Cements Limited's FY 2019-2024 financial performance speaks of a cash-strapped company with yo-yoing profits, and dismal returns on equity and capital. Though better financial ratios in a few years like FY 2020-21 showed some cause for optimism, the recent past downtrend does not augur well and hints at structural inefficiencies. Overall average in critical ratios reflects poor financial basis, requiring immediate remedial actions in cost management, operating effectiveness, and strategic choices. Provided these issues are addressed, India Cements can once again stabilize and enhance competitiveness in the cement sector.

VIII REFERENCES

1. DR. W. SARANYA and KISHORE S, (2024), A Study On Financial Performance of ITC Ltd, International journal for Creative Research Thoughts, ISSN: 2320-2882, Volume 12, Issue 3 March 2024.
2. Hemantha Kumara MG, Dr. Sudhindra Bhat(2024), A Study On Indicators Of Financial Performance: With Special Reference To UCB's In India, International journal for Creative Research Thoughts, ISSN: 2320-2882, Volume 12.
3. Sumitha S, Valarmathi B(2024), Impact Of Consolidation On The Financial Performance Of Indian Public Banks, Educational Administration: Theory and Practice, ISSN: 2148-2403.
4. Sumitha S, Valarmathi B(2024), Impact Of Consolidation On The Financial Performance Of Indian Public Banks, Educational Administration: Theory and Practice, ISSN: 2148-2403.
5. K. Karthikeyan & M. Dinesh Kumar, (2023), A Comparative Study On Financial Performance Of SBI & HDFC Bank In India, Sjcc Management Research Review, ISSN-2249-4359, Vol – 13, Issue-1.