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A Study on the Financials Aspects of Indian Cement Industry

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Abstract:

The growth of infrastructure and building projects depend heavily on the cement industry, which is a key component of the Indian economy. The profitability of the cement industry in India during the previous ten years is thoroughly compared in this study report. The research seeks to offer insightful information about the financial performance of significant participants in this industry and the variables affecting their profitability. The study uses a multidimensional method to evaluate profitability, considering important financial metrics including return on equity, return on assets, net profit margins, and earnings per share (EPS). The research investigates the financial statements of significant cement businesses in India in order to deepen the analysis by taking regional variances and market variables into account.

The report also looks at the factors that affect profitability in the Indian cement sector. To determine their influence on profitability trends, a variety of factors are examined, including capacity utilization, pricing tactics, raw material costs, technical improvements, and governmental regulations. The research also examines the industry's competitive environment, considering market share trends and their connection to profitability. Data for this study was obtained between 2010 and 2020 from publicly available financial reports, trade journals, and government sources. The report uses both quantitative and qualitative methodologies and provides a comprehensive assessment of India's cement industry's financial health. The study paper's results help stakeholders in the sector, investors, politicians, and researchers better understand the factors that influence the profitability of the cement business in India. Additionally, it illuminates the industry's resiliency and adaptation in the face of monetary difficulties and global unpredictability, providing important lessons for long-term sustainable growth and development.

Introduction:

India now produces the second-most cement in the world. Given that the cement industry in India directly and indirectly employs more than a million people and greatly boosts the country's economy, this is quite logical. Both domestic and international businesses have invested heavily in India's cement industry since the liberalisation of the cement industry in 1982.

The country's anticipated expansion in the infrastructure and building industries is expected to benefit India's cement industry the most. The development of 98 "smart cities," one of the most important initiatives undertaken in recent decades, is anticipated to have a substantial positive impact on the sector.

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Due to the government's rational approach to foreign policy, businesses like Lafarge-Holcim, Heidelberg Cement, and Vicat have made significant investments in the nation in recent years in preparation of the future changes. The industry's growth has been fueled by the accessibility of essential components like coal and limestone for the making of cement.

Cement production was expected to reach 502 mtpy worldwide in 2018. We anticipate a 20 MTPA increase in capacity over the following three fiscal years (2019-2021). The cement market in India is monopolized by a few companies. Over 70% of the nation's total cement production is produced by the top 20 cement companies. The combined capacity of 210 major and 350 minor cement mills is about 410 million tons. 77 of India's 210 largest cement factories are located in the states of Andhra Pradesh, Rajasthan, and Tamil Nadu.

Source: IBEF, 2019

Investments

The cement and gypsum sectors attracted $5.28 billion in foreign direct investment (FDI) between April 2000 and March 2018, according to the Department of Industrial Policy and Promotion (DIPP).

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Some of the biggest investments made in India's cement sector include the following:

- The Raysut Cement Company said in 2018 that it planned to invest US$700 million in India by the end of 2022.
- In the 2017–2018 fiscal year, Ultratech's 1.75 MTPA cement grinding facility and 2.5 MTPA clinker plant in Dhar, Madhya Pradesh, were successfully put into service. By September 2018, the company hopes to have a 1.75 MTPA cement grinding mill operational in that same location. A 13 MW capacity waste heat recovery system will be used.
- JK Cement would spend Rs 1,500 crore (US$ 231.7 million) to increase its Mangrol plant's production from 10.5 MTPA to 14 MTPA during the course of the following three to four years."

Initiatives by the Central Government:

To assist private sector businesses in achieving commercial success, the government has approved investment plans proposed by such businesses. Recent instances of such government programs include the following examples:

As part of the government of India's Budget 2018–19, the National Housing Bank (NHB) will establish an affordable housing fund with a target amount of Rs 25,000 crore ($3.86 billion) to make it easier for homeowners to get loans. The measure is predicted to raise the demand for cement from the construction industry.

Review of Related Literature

1. Vigneshwar M. and Adma R. (2018), All of the data used in this research was previously gathered. To perform periodic analysis of the industry, secondary data for the sector was obtained for six fiscal years (2011–2016) from a data source made available and maintained by various agencies, organizations, annual reports of enterprises, and so on. The data presentation technique known as graphing is used to conduct a compelling ICI analysis. This makes it simpler to understand how well the sector is performing. With several observations and a conclusion provided at the end, the current investigation finishes.
2. Pardeep K. (2015), Both primary and secondary sources of information were used to compile the research study findings. During the investigation, the following statistical approaches were utilized:

To guide judgment and conduct the in-depth study, historical data trends and ranges, index numbers, percentages, averages, standard deviations, and correlations were employed anywhere possible.

3. Anita J (2014), The analysis of cement industries in India's consumption and investment patterns, as well as the size of the overall market, is the primary goal of this study. They make a vital contribution to India's advancement. Cement manufacturing is the focus of 69 different industries in India. This includes analyses of their investment plans, market share, and studies on the top five firms. The infrastructure business uses the most cement (17%), followed by the commercial construction industry (13%), and then the industrial construction industry (6%), which uses the most (64%).
4. Sanjeev S., R. L. Srivastva, S. K. Ganguly (2014), The final sample size for the survey in the current research project consisted of 450 people recruited from different parts of India. After compiling the data, the analytical process was finished and ready for interpretation. The stage of analyzing the data consisted of a variety of interconnected processes, all of which were carried out in order to summarize and rearrange the data. In quantitative data analysis, the data input and analysis processes have been carried out using statistical software such as Microsoft Excel and SPSS. The statistical analysis results are presented in graphical form and discussed at length. In order to conduct the statistical analysis of the study's data, tables and percentages were utilized.
5. P. Krishna Kumar (2013), Think about how the Indian cement business has expanded since 1991 regarding installed capacity, production, exports, and value adds. Explain in detail how you came to your conclusions on the cement industry's past, present, and future performance.
6. Santanu G. and Santi M. (2004), Twenty of the largest cement manufacturers in India, provided information for this study. Within the country's boundaries, these businesses account for a significant portion of the cement industry (among the indigenous firms). Secondary data was culled from the "Capitaline" database for a decade, starting in 1992–1993 and concluding in 2001–2002. Only a subset of the firms listed in the "Capitaline" database were considered since we had access to the necessary records within the specified time frame.

Objectives:

1. To compare the net profit of different cement industries in India.
2. To compare the net worth, return of different cement industries of India.

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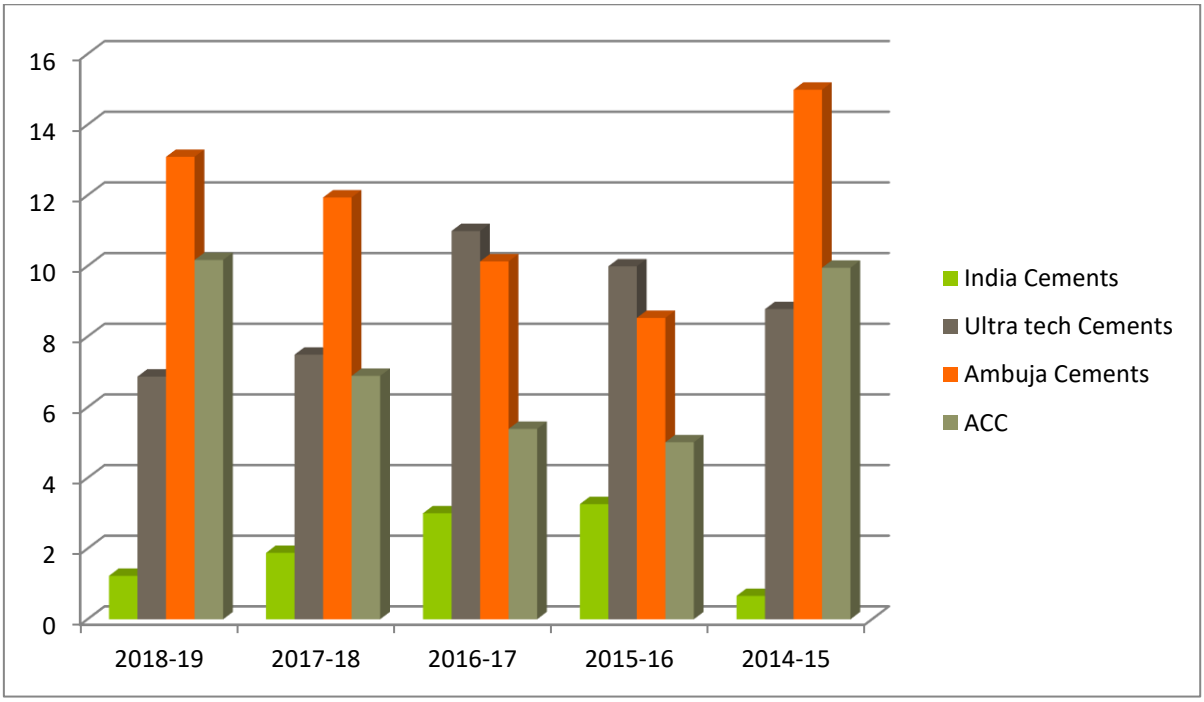
Research Methodology:

Despite the fact that India has a large number of cement companies, we chose the top four at random and looked at their data. We look at both tabular and graphical forms of the data after selecting the cement industry. Secondary data from annual reports given by several cement businesses served as the basis for this investigation. In this analysis, the years 2014–2015 through 2018–2019 are considered. In order to do this, we assess two ratios: the net profit to net worth ratio and the return on net worth.

Net Profit Margin (%)	2018-19	2017-18	2016-17	2015-16	2014-15
India Cements	1.23	1.88	3	3.26	0.66
Ultra Tech Cements	6.87	7.49	10.99	9.99	8.78
Ambuja Cements	13.09	11.94	10.13	8.53	14.99
ACC	10.17	6.89	5.39	5.01	9.95



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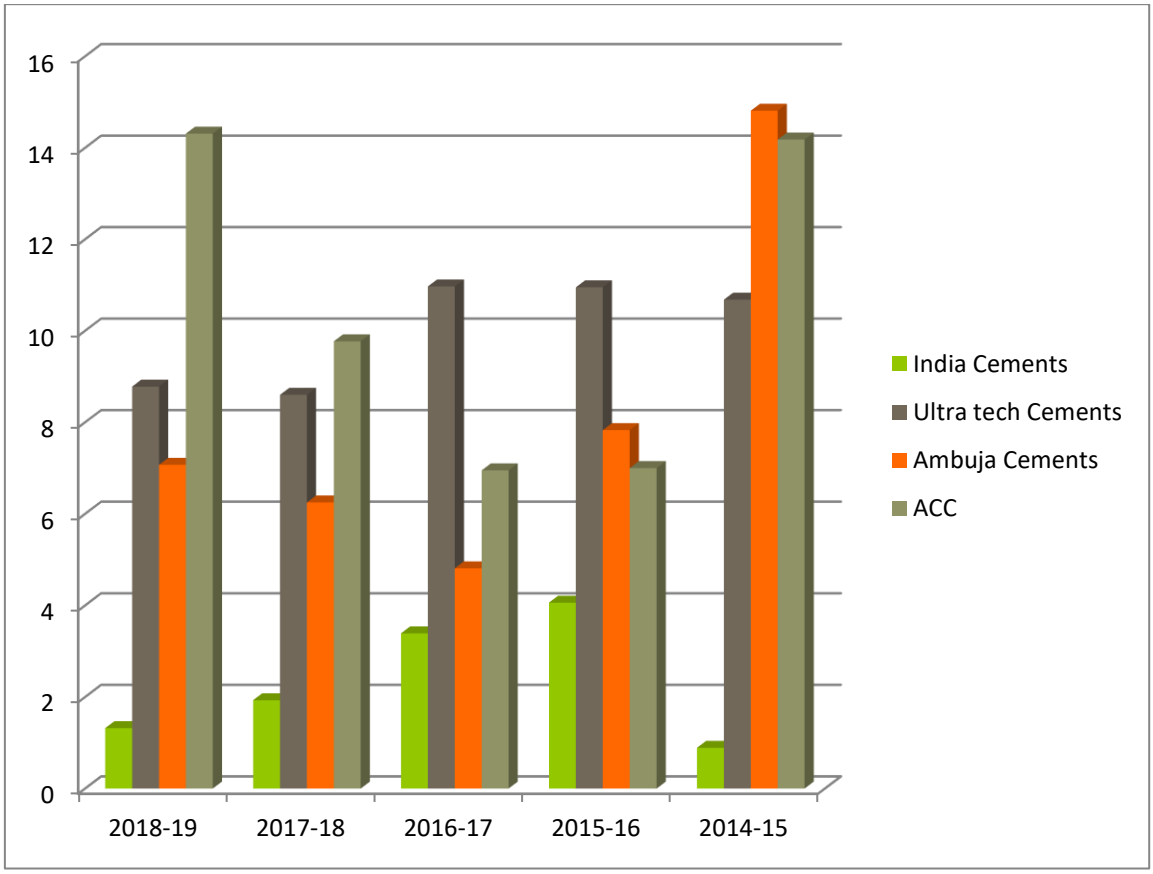
The information above makes it evident that Ambuja Cements' net profit for the fiscal year 2018–19 was substantially higher than that of every other cement manufacturer. During the fiscal years 2014–15 and 2018–19, Ultra Tech Cement's revenues in India decreased. Ambuja and ACC made similar amounts of money in both 2014–15 and 2018–19.

Return on Net worth / Equity (%)	2018-19	2017-18	2016-17	2015-16	2014-15
India Cements	1.32	1.93	3.39	4.06	0.89
Ultra Tech Cements	8.78	8.6	10.97	10.95	10.68
Ambuja Cements	7.07	6.25	4.81	7.83	14.81
ACC	14.31	9.77	6.95	7	14.18



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ACC's Return on Net Worth or Equity in the 2018–19 fiscal year is greater than that of comparable cement businesses, according to the statistics above. The ACC return is only lower for the 2016–17 academic year; it is greater for all other years. It has been increasing in Ultra Tech Cement from 2014–15 to 2016–17; however, it is predicted to decrease in 2017–18 and 2018–19.

Conclusion:

India's economy significantly benefits from the production of cement. This is true despite having access to a sizable number of raw materials, skilled labor, substantial technological know-how, and a climate suitable for the industry. It is closely related to the construction and transportation sectors, as well as to those of industrial activity, real estate, mining, and power, among other things. The industry is not yet self-sufficient, despite the lofty hopes that it may one day generate large surpluses to sustain exports.

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