

# A Study on Financial Performance of the RAMCO Cements Ltd.

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## 1. INTRODUCTION

Finance statement are the basis for decision making by the management as well as other outsider who are interested in the affairs of the firm such as investors, government, creditors, customers, financial institutions, employees, potential investors and the general public. The analysis and interpretation of financial statements depend upon the nature and type of information available in these statements. These statement are used to convey to management and other interested outsiders the profitability position of a firm.

**According to John N. Myer**, “Financial statement analysis is largely a study of relationship among the various financial factors in a business, as disclosed by a single set of statements and study of these factors as show in series of statements”.

The term “**Financial Analysis**” is also known as analysis and interpretation of financial statements, refer to the process of determining financial strengths and weakness of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data.

**The term “Financial statement” generally refers to the two statements:**

- The position statement or the balance sheet, and
- The income statement or the profit and loss account.

**Features and benefits of financial statement analysis:**

Financial statements are the prepared for the purpose of presenting the periodical review or report on the progress by the management and deal with;

- ✓ Status of the investments in the business and
- ✓ Results achieved during the period under review.

The analysis of the financial statements, spotlights the significant fact and relationship concerning managerial performance, corporate efficiency, financial strength and weakness and credit worthiness.

### 1.1. STATEMENT OF THE PROBLEM:

Finance is the view as a backbone to accelerating economic development of any country. In our present day, economic finance is the provision of money at the time when it is required. Presently a firm communicated financial information to the users through financial statement and reports. Financial statement compares of two statements namely balance sheet and profit & loss a/c. Being this present status, it quiets possible for the company to improve its profitability as well as liquidity considerable without employing, further resources and just be stream lining the existing financial system and the financial information system.

### 1.2. SCOPE OF THE STUDY:

The scope of the study pertained to a financial performance of THE RAMCO CEMENTS LIMITED. This study is mainly a comparison of five years of its operations and it aims to reveal the company standard in respect to profitability.

Liquidity and effective use of its resources. It also extends to have a study on ratio, and comparative & common size balance sheets.

### **1.3. OBJECTIVES OF THE STUDY:**

The study has been undertaken with a broad objective of evaluating performance of RAMCO CEMENTS LIMITED. The following are the specific objectives of the study.

- To trace out of the history and profile of the company.
- To analyze the overall performance of the RAMCO Cements in respect of liquidity efficiency and effectiveness in financial management.

### **1.4 DATA COLLECTION:**

#### **Nature of data:**

Analytical methods were adopted for carrying out of study. Secondary data was mainly used for the study this secondary data collected from the published annual report of the RAMCO cement limited.

#### **Source of data:**

The data used are mainly from the adopted annual reports of the company through the discussions with financial and accounts officials of the RAMCO CEMENTS LIMITED.

### **1.5. TOOLS AND TECHNIQUES**

The data from the reports have been analyzed by using various tools and techniques. With a view to evaluate the performance of the company.

- Ratio analysis
- Comparative balance sheet statements

### **1.6. PERIOD OF STUDY:**

The period of the study covers 3 years from 2011-2012 and 2013-2014. The required data for the past 3 years were collected from the annual report of the company.

### **1.7. LIMITATIONS OF THE STUDY**

The data available for the study are subject to a few limitations which are as follows:-

- As the study is only for the particular concern inter firm comparison is lender impossible.
- The study covers the periods from 2011-2014 the changes that took place before and after this period were not taken into consideration.
- The reliability and correctness of the study depends on the information provided in the annual reports of the company.

## **2. REVIEW OF LITERATURE**

Financial analysis is the process of identifying the financial strength and weakness of the firms by properly establishing relationship between the items of the balance sheet and profit and loss account. Financial analysis can be undertaken by management of the firm, or by parties outside the firm via, owners.

Goel V.K. and Navi N.K (1976) in their study on productivity trends in cement industry in India revealed that there was a healthy picture of the cement industry during the period of 1951-52 to 1974-75. The profit margin in the cement industry was to the of 20percent during the period. There has been a sharp decline in above the ratios of net worth to total liabilities and the acid tests ratio. After 1974-75 the industry incurred losses due to its internal techno-economics and non-viability.<sup>1</sup>

Dr. Pramodkumar has made a study on the "Analysis of financial statements of cement industry in India since 1979". This study based on a sample of twenty three cement concerns in the private, central, public and the state owned public and the

state owned public sectors. He observed that the industry in private sector recorded an increasing trend in the quantum of working capital during the 5 years under study.<sup>2</sup>

### 3. RATIO ANALYSIS

Financial statements are prepared primarily for legal requirement. It is also used for decision – making. They play a dominant role in setting the framework of managerial decision. But the information provided in the financial statement is not an end in itself as no meaningful conclusion can be drawn from these statements alone. However the information provided in the financial statement is of immense use in making decision decisions through analysis and interpretation of financial statement.

S.NO	RATIOS	2011-2012	2012-2013	2013-2014
1	CURRENT RARIO	0.68	0.77	0.73
2	CASH RATIO	0.03	0.03	0.02
3	DEBT-EQUITY RATIO	0.51	0.57	0.56
4	PROPRITARY RATIO	0.41	0.46	0.45
5	DEBTORS TURNOVER RATIO	15.87	14.49	11.77

#### 3.1: COMPARATIVE BALANCE SHEET:

The comparative balance sheet analysis is the study of the trend of the same items, group of items and computed items in two or more balance sheets of the same business enterprise on different dates. The changes in periodic balance sheet items reflect the conduct of a business. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help in forming an opinion about the progress of en enterprise. The comparative balance sheet has two columns for the data of original balance sheets. A third column is used to show increase in figures. The fourth column may be added for giving percentage of increase or decrease. While interpreting comparative balance sheet the interpreter is expected to study the following aspects:

- Current financial position and liquidity position.
- Long – term financial position.
- Profitability of the concern.

TABLE: 1 COMPARATIVE BALANCE SHEET FOR THE YEAR 2011 – 2012 (Rs. In Millions)

PARTICULARS	2011	2012	INCREASE/DECREASE	
			Amount in RS.	%
<b>Current assets:</b>				
Inventories	392.28	491.09	98.81	25.18
Debtors	175.13	207.94	32.81	18.73
Cash and bank	40.01	47.49	7.48	18.69
Loans and advance	317.63	289.25	-28.38	-8.93
Total current assets (A)	925.05	1035.77	110.72	11.96
<b>Fixed assets :</b>				
Total fixed assets	4779.58	5022.47	242.89	5.08
Total fixed assets (B)	4779.58	5022.47	242.89	5.08
<b>TOTAL ASSETS (A+B+C)</b>	<b>5704.63</b>	<b>6058.24</b>	<b>353.61</b>	<b>6.20</b>
<b>Current Liability :</b>				
Short term borrowing	338.30	613.19	274.89	81.25
Trade payable	139.52	93.93	-45.59	-32.67
Other current liabilities	839.46	671.97	-167.49	-79.51
Short term provisions	121.14	126.23	5.09	4.20
Total current liability (A)	1438.42	1505.32	66.90	4.65

<b>Capital &amp; reserve:</b>				
Share capital	23.80	23.80	-	-
Reserve and surplus	1710.71	2026.58	315.87	18.46
Total capital & reserve (B)	1734.15	2026.58	315.87	18.21
<b>Other Liability:</b>				
Total other liabilities and other liabilities (C)	2531.70	2502.54	29.16	1.15
<b>TOTAL LIABILITY (A+B+C)</b>	<b>5704.63</b>	<b>6058.24</b>	<b>353.61</b>	<b>6.20</b>

TABLE-2 COMPARATIVE BALANCE SHEET FOR THE YEAR 2012 – 2013 (Rs. In Millions)

PARTICULARS	2012	2013	INCREASE/DECREASE	
			Amount in RS.	%
<b>Current assets:</b>				
Inventories	491.09	594.75	103.66	21.10
Debtors	207.94	302.81	94.87	45.62
Cash and bank	47.49	53.96	6.47	13.62
Loans and advance	289.25	298.72	9.09	3.14
Other current assets	-	1.59	1.59	-
Total current assets (A)	1035.77	1251.83	215.68	20.82
<b>Fixed assets :</b>				
Total fixed assets	5022.47	5219.55	197.46	3.93
Total fixed assets (B)	5022.47	5219.55	197.46	3.93
<b>TOTAL ASSETS (A+B)</b>	<b>6058.24</b>	<b>6471.38</b>	<b>413.14</b>	<b>6.81</b>
<b>Current liability :</b>				
Short term borrowing	613.19	588.08	-25.11	-4.09
Trade payable	93.93	143.08	49.15	52.32
Other current liabilities	671.97	734.35	62.38	9.28
Short term provisions	126.23	146.89	20.66	16.36
Total current liability (A)	1505.32	1612.40	107.08	7.11
<b>Capital &amp; reserve:</b>				
Share capital	23.80	23.80	-	-
Reserve and surplus	2026.58	2346.96	320.38	15.80
Total capital & reserve (B)	2050.38	2370.76	320.38	15.80
<b>Other liability:</b>				
Loans and other liabilities (C)	2502.54	2488.22	-14.32	-0.57
<b>TOTAL LIABILITY (A+B+C)</b>	<b>6058.24</b>	<b>6471.38</b>	<b>413.14</b>	<b>6.81</b>

TABLE-3 COMPARATIVE BALANCE SHEET FOR THE YEAR 2013 – 2014 (Rs. In Millions)

PARTICULARS	2013	2014	INCREASE/DECREASE	
			Amount in RS.	%
<b>Current assets:</b>				
Inventories	594.75	685.53	90.78	15.26
Debtors	302.81	303.96	2.53	0.83
Cash and bank	53.96	44.61	-9.35	-17.32
Loans and advance	298.72	206.59	-71.99	-24.09
Other current assets	1.59	8.85	-1.35	-84.90

Total current assets (A)	1251.83	1249.54	10.62	0.84
<b>Fixed assets :</b>				
Total fixed assets	5219.55	5619.02	386.56	7.40
Total fixed assets (B)	5219.55	5619.02	386.56	7.40
<b>TOTAL ASSETS (A+B)</b>	<b>6471.38</b>	<b>6868.56</b>	<b>397.18</b>	<b>6.13</b>
<b>Current liability :</b>				
Short term borrowing	588.08	723.62	135.54	23.04
Trade payable	143.08	187.66	44.58	31.15
Other current liabilities	734.35	729.18	-5.17	-0.70
Short term provisions	146.89	64.22	-82.67	-56.28
Total current liability (A)	1612.40	1704.68	92.28	5.72
<b>Capital &amp; reserve:</b>				
Share capital	23.80	23.80	-	-
Reserve and surplus	2346.96	2458.28	111.32	4.74
Total capital & reserve (B)	2370.76	2482.08	111.32	4.74
<b>Other liability:</b>				
Loans and other liabilities (C)	2488.22	2681.80	193.58	7.77
<b>TOTAL LIABILITY (A+B+C)</b>	<b>6471.38</b>	<b>6888.56</b>	<b>417.18</b>	<b>6.44</b>

### 3.2: FINDING

- Current ratio 0.77 was favorable during 2012-2013.
- Proprietary ratio was satisfactory during the period.
- Debt – equity ratio shows that the company is depending outsiders more during the year 2012-2013.
- Cash and debtors turn over ratios are satisfactory.

### 4. CONCLUSION

In this study the researcher concludes that the financial performance of The Ramco Cements Limited. Based on the study, the researcher concludes that the financial position of the company was good. The study concludes that The Ramco Cements Limited is one of the leading company provides employment opportunities in the field of cement factories, and promotes economic development.

### REFERENCES

- [1] Data source from, [www.ramcocements.com](http://www.ramcocements.com)