A STUDY ON FINANCIAL PERFORMANCE OF DALMIA CEMENT LIMITED

Dr. S. Soundaranayaki,
Assistant Professor of Commerce, A.V.C.College (Autonomous),
Mannampandal, Mayiladuthurai – 609 305, Tamilnadu, India.

Abstract
Management should be particularly interested in knowing financial strengths of the firm to make their best use and to be able to spot out financial weaknesses of the firm to take suitable corrective actions. The future plans of the firm should be laid down in view of the firm's financial strengths and weaknesses. Thus Financial Analysis, starting point for making plans, before using any sophisticated forecasting and planning procedures. Understanding the past is a prerequisite for anticipating the future. Financial Analysis is the process of identifying the financial strengths and weaknesses of the firm by property-establishing relationship between the items of the Balance Sheet and the Profit and Loss account. The profit and loss account statement gives the totals of different expenditures and revenues during the given period and the net result, viz., profit or loss during the given period. The balance sheet shows the balance of assets, liabilities and the capital as on the last date of accounting period. The present study is undertaken to analysis financial performance of dalmia cement limited.

Keyword: *Dalmia cement ltd,Finance, Profit*

INTRODUCTION

Financial Analysis is the process of identifying the financial strengths and weaknesses of the firm by property-establishing relationship between the items of the Balance Sheet and the Profit and Loss account. The profit and loss account statement gives the totals of different expenditures and revenues during the given period and the net result, viz., profit or loss during the given period. The balance sheet shows the balance of assets, liabilities and the capital as on the last date of accounting period. These statements do not give the relationship among the various figures or the reasons for changes in these items between two dates and the effect of such changes. For this purpose, different tools of analysis of items in the financial statements by sing different tools of analysis is called financial statement analysis.

Financial statement analysis involves rearrangement of data in accordance with the purpose of analysis, applications of financial tools, evaluating the relationship among the component part and drawing conclusions based on the analysis.

FINANCIAL ANALYSIS SERVES THE FOLLOWING PURPOSES

(i) Measuring the Profitability: The main objective of a business is to earn a satisfactory return on the funds invested in it. Financial analysis helps in ascertaining whether adequate profits are being earned on the capital invested in the business or not. It also helps in knowing the capacity to pay the interest and dividend.

(ii) Indicating the Trend of Achievements: Financial statements of the previous years can be compared and the trend regarding various expenses, purchases, sales, gross profits and net profit etc. can be ascertained. Value of assets and liabilities can be compared and the future prospects of the business can be envisaged.Assessing the growth potential of the business. The trend and other analysis of the business provide sufficient information indicating the growth potential of the business.

(iii) Comparative Position in Relation to Other Firms: The purpose of financial statements analysis is to help the management to make a comparative study of the profitability of various firms engaged in similar businesses. Such comparison also helps the management to study the position of their firm in respect of sales, expenses, profitability and utilizing capital, etc.

(iv) Assess Overall Financial Strength: The purpose of financial analysis is to assess the financial strength of the business. Analysis also helps in taking decisions, whether funds required for the purchase of new machines and equipment are provided from internal sources of the business

(v) Assess Solvency of the Firm: The different tools of an analysis tell us whether the firm has sufficient funds to meet its short term and long term liabilities or not.

PARTIES INTERESTED

Analysis of financial statements has become very significant due to widespread interest of various parties in the financial results of a business unit. The various parties interested in the analysis of financial statements are:

(i) Investors: Shareholders or proprietors of the business are interested in the wellbeing of the business. They like to know the earning capacity of the business and its prospects of future growth.

(ii) Management: The management is interested in the financial position and performance of the enterprise as a whole and of its various divisions. It helps them in preparing budgets and assessing the performance of various departmental heads.

(iii) Trade Unions: They are interested in financial statements for negotiating the wages or salaries or bonus agreement with the management.

(iv) Lenders: Lenders to the business like debenture holders, suppliers of loans and lease are interested to know short term as well as long term solvency position of the entity.

(v) Suppliers and Trade Creditors: The suppliers and other creditors are interested to know about the solvency of the business i.e. the ability of the company to meet the debts as and when they fall due.

(vi) Tax Authorities: Tax authorities are interested in financial statements for determining the tax liability.

(vii) Researchers: They are interested in financial statements in undertaking research work in business affairs and practices

(viii) Employees: They are interested to know the growth of profit. As a result of which they can demand better remuneration and congenial working environment.

(ix) Stock Exchange: The stock exchange members take interest in financial statements for the purpose of analysis because they provide useful financial information about companies. Thus, we find that different parties have interest in financial statements for different reasons.

(x) Government and Other Agencies: Government and their agencies need financial information to regulate the activities of the enterprises / industries and determine taxation policy. They suggest measures to formulate policies and regulations.

TOOLS AND TECHNIQUES OF FINANCIAL PERFORMANCE ANALYSIS:

The following are some tools to analyses the financial Performance of the company:

- Ratio Analysis
- Trend Analysis

SCOPE OF THE STUDY

- The analysis aims at evaluating financial stability and assessing assets and liability management by using various tools and techniques.
- It is beneficial to the top management of the company by providing crystal clear picture regarding to the important financial aspects of the Dalmia cement ((Bharat)) Limited.

OBJECTIVES OF THE STUDY

- To study the financial position of Dalmia cement ((Bharat)) Limited.
- To study the overall operating efficiency and performance of the company.
- To analyze the short term solvency & liquidity position of the company.
- To know the impact of various assets & liabilities on financial performance of company.

RESEARCH METHODOLOGY

The study made by the collecting primary as well as secondary data, under case study method. The primary data collected by the researcher through personal interviews. The secondary data were collected from the records of Dalmia cement ((Bharat)) limited. The other necessary information were drawn from the text books, magazine and website incorporated the study suitability.

LIMITATIONS OF THE STUDY

- Detailed analysis could not be carried for the project work because of limited time span.
- Since financial matters are sensitive in nature, the same could not be acquired easily.

PERIOD OF THE STUDY

The data collected for a period of five years (2013 to 2017). The Income statement and balance sheet of the firm are obtained. These data are the main sources for preparing this analysis.

CHAPTER SCHEME

- First chapter deals with introduction, need of the study, scope of the study, objectives of the study, limitation of the study, research methodology, and chapter scheme.
- Second chapter deals with the review of literature.
- Third chapter deals with the profile of study area.
- Fourth chapter deals with financial performance of Dalmia cement limited.
- Fifth chapter deals with findings, suggestions and conclusion.

Data Analysis and Interpretation:

Table.1

Table Showing Calculation of Current Ratio for the years 2013 to 2017

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

(Rs in Crore)

Year	**Current Assets**	**Current Liabilities**	**Ratio**
2013	285.99	64.33	4.45
2014	324.22	65.20	4.97
2015	301.65	37.54	8.04
2016	577.94	196.06	2.95
2017	652.30	238.94	2.73

Source: *Secondary data*

From the above table 4.11, it is clearly indicates the current ratio of the Dalmia cement ((Bharat)) limited during the study period from 2013 to 2017. It is observed from the table, the current ratio of the firm was increased every year when compared to the base year 2013, but in the last years (2016 and 2017), it was decreased at increasing rate.

Table.2

Table Showing Calculation for Debt Equity Ratio for the years 2013 to 2017

$$\text{Debt Equity Ratio} = \frac{\text{Long Term Debt}}{\text{Shareholder's Funds}}$$

(Rs in Crore)

Year	**Long Term Debt**	**Shareholder's Funds**	**Ratio**
2013	69.68	540.18	0.13
2014	74.03	570.92	0.13
2015	47.84	582.33	0.08
2016	280.13	1253.52	0.22
2017	268.28	1391.96	0.19

Source: *Secondary data*

The above computation shows the debt equity ratio of the company during the study period 2013 and 2017. It clearly observed that, the debt equity ratio has increased every year in a gradual manner but in the year 2015 it was relationally low (0.08) when compared to the study period.

Table.3

Table Showing Calculation of Proprietary Ratio for the years 2013 to 2017

$$\text{Proprietary Ratio} = \frac{\text{Shareholder's Funds}}{\text{Total Tangible Assets}}$$

(Rs in Crore)

Year	Owner's Funds	Total Tangible Assets	Ratio
2013	540.18	609.86	0.89
2014	570.92	644.95	0.89
2015	582.33	630.17	0.92
2016	1253.52	1533.65	0.82
2017	1391.96	1660.24	0.84

Source: *Secondary data*

From the above table 4.14 clearly shows the proprietary ratio of the concern during the study period between 2013 and 2017. It gives the relationship between the owner's fund and total tangible assets. It was observed that the ratio was straightly increased during the study period. But, in the year 2016 it was decreased thereafter it was increased in the year in the year 2017 (0.84).

Table.4

Table Showing Calculation of Debtor Turnover Ratio for the years 2013 to 2017

$$\text{Debtors Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Debtors}}$$

(Rs in Crore)

Year	Net Sales	Average Debtors	Ratio
2013	190.60	36.49	5.22
2014	229.73	70.76	3.25
2015	175.30	55.05	3.18
2016	204.11	32.46	6.29
2017	222.53	24.82	8.97

Source: *Secondary data*

From the above table 4.17, it was observed that the debtors turnover ratio of the concern in the study period 2013 to 2017. It was increased in the beginning and decreased the following (i.e. 2014 and 2015) but there after year increased enormously (i.e. 6.29 and 8.97).

Table.5

Table Showing Calculation of Gross Profitability Ratio for the years 2013 to 2017

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

(Rs in Crore)

Year	Gross Profit	Sales	Ratio
2013	53.27	190.60	27.95
2014	65.68	229.73	28.59
2015	40.47	175.30	23.09
2016	85.39	204.11	41.84
2017	99.59	222.53	44.75

Source: *Secondary data*

The above computation clearly shows the concern gross profit ratio of Dalmia cement (Bharat) limited during the study period 2013 to 2017. It shows profitability position of the company. It is observe that the gross profit ratio was increased every year when compared to the base year except in the year 2015.

Chart.1

Chart Showing Calculation of Gross Profitability Ratio for the years 2013 to 2017

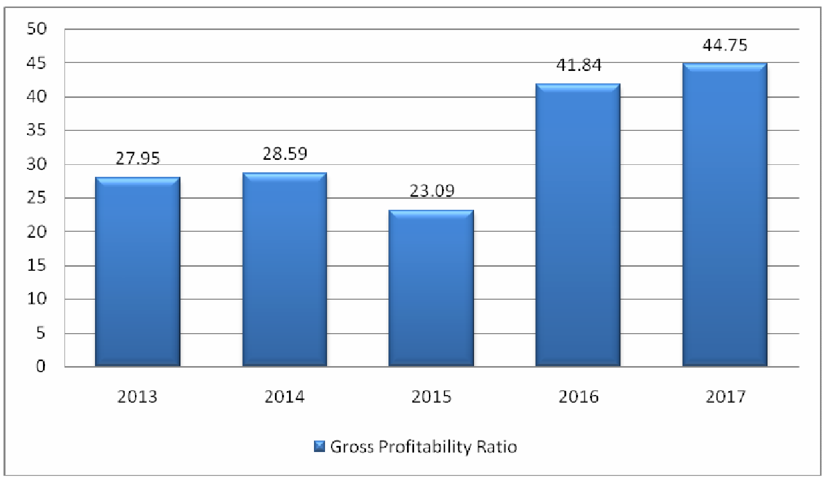


Table.6

Table Showing Calculation of Net Profitability Ratio for the years 2013 to 2017

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

(Rs in Crore)

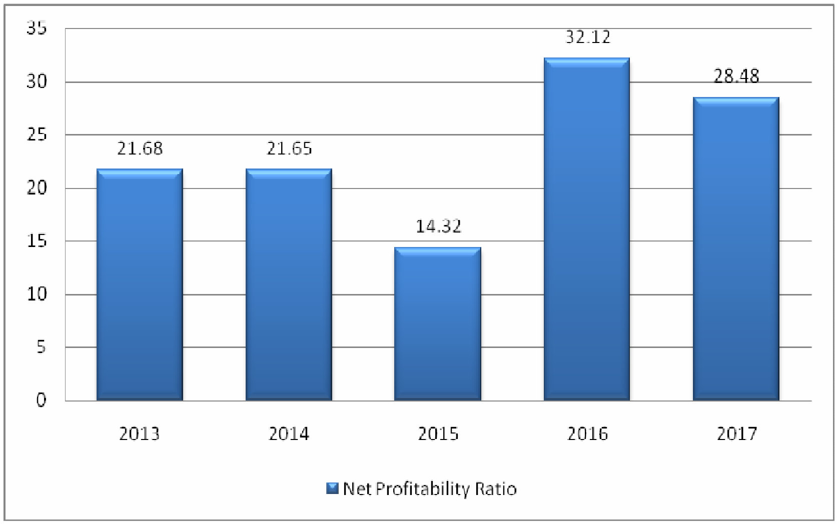
Year	Net Profit	Net Sales	Ratio
2013	41.33	190.60	21.68
2014	49.74	229.73	21.65
2015	25.10	175.30	14.32
2016	65.55	204.11	32.12
2017	63.37	222.53	28.48

Source: *Secondary data*

From the table, it is clear that Net profit ratio is higher in the year 2016&2017 which indicates the return on shareholders' investments. Higher the ratio better in the operational efficiency of the concern but it is gradually decreasing from the year 2015.

Chart.2

Chart Showing Calculation of Net Profitability Ratio for the years 2013 to 2017



FINDINGS

- It is observed from the table, the current ratio of the firm was increased every year when compared to the base year 2013.
- The debt equity ratio has increased every year in a gradual manner but in the year 2015 it was relationally low (0.08) when compared to the study period.
- It gives the relationship between the owner's fund and total tangible assets. It was observed that the ratio was straightly increased during the study period.
- It was increased in the beginning and decreased the following (i.e. 2014 and 2015) but there after year increased enormously (i.e. 6.29 and 8.97).
- It is observe that the gross profit ratio was increased every year when compared to the base year except in the year 2015.
- Higher the ratio better in the operational efficiency of the concern but it is gradually decreasing from the year 2015.

SUGGESTION

- The company should utilize all its resource in an efficient manner. The company should improve their liquidity position to the future year. The net sales can be raised by adopting a better marketing technique.
- The company can maintain the same position in the future year. In the year 2014 firm has achieved more profit because sales have increased.
- Efforts should be taken to increase the overall efficiency in return out of capital employed by making use of the available resource effectively.

- The expenditure of the company is too high. The company should take efforts to reduce the expenses whereby it can reduce the loss. So the researchers suggest that the firm has to maintain the same level of working capital to meet its working capital requirements.
- Trend analysis reveals that the firm is to concentrate on the current assets, which would boost up the liquidity – position of the firm and which will be a stock observer in fluctuation

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