

A COMPARATIVE STUDY ON FINANCIAL ANALYSIS OF RAMCOIND & HIL

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ABSTRACT

Cement industry is very important industry in India because it is contributing in India's infrastructural and industrial development. Cement industry is contributing almost 1.2% of GDP and 0.5 million employment. So this study entitled "A comparative study on financial analysis of RAMCOIND & HIL" is done to know about the financial condition, profitability, solvency, liquidity and working capital efficiency of these cement companies. From this study, it was found that working capital growth of both company is satisfactory but working capital turnover ratio of HIL is not good. Liquidity of both companies is not good. Profitability of HIL is better than RAMCOIND but solvency of HIL is not good.

INTRODUCTION

Every organisation wants to know about their financial condition, profitability solvency, liquidity, efficiency and effectiveness of firm's management, So that they can take the best decision about firm's working capital, cost of capital and capital expenditure decision. It is also important because forecasting about future earnings, dividend decision is also based on these analysis. That's why every organization analyse and interpret their financial statement from time to time.

Financial analysis is a process of evaluating the business financial statement, projects and other financial transactions to determine the profitability, know about their solvency, liquidity, efficiency, effectiveness and suitability. Financial analysis can be conducted internally and externally. Internal financial analysis helps manager to make future business decision and review the past success. External financial analysis helped investor to choose the best investment opportunities.

REVIEW OF LITERATURE

Mr K J Shajee Jose, Mr P Akashwaran & Mrs S. Suchitra (2023) done a study on UltraTech Cement Company to analyse their financial performance for last 5 years. They used financial ratios for their analysis and found that company's financial department is doing great work, and growth of company is increasing year by year.

Sanjay J Bhayani (2010) analysed the factors that affected profitability of Indian cement industry. In this study, it was found that profitability is not an independent decision. It's concluded that liquidity, firm's age, interest rate, inflation rate and operating profit played a significant role in the determination of the profitability of Indian cement industry.

Dr. D. Shivshakthi, Ms. Thabasvini. B.J. (2021) analysed the role of financial performance for decision-making, setting a framework and managerial conclusion. They use ratio analysis to know the financial position of the company. They made a conclusion that company's progress is good enough to meet its requirement for capital expenditure and high level of capital commitments.

Sudarshan Kumar (2021) done a study to analyse the working capital management, long-term solvency and profitability of selected automobile companies, because automobile industry have significant impact on Indian

economy. They found from the study that working capital of Tata motor is negative in 5 years, While Mahindra & Mahindra limited and Maruti Suzuki Company has more growth rate of current liabilities than its current assets among all studies automobile companies. Bajaj auto Ltd. have the highest growth rate of working capital because its current assets growth rate is more than current liabilities.

Mrs. J. Dhivya, Mrs. P. Shobanapriya, Mrs. P. Devika, Mrs. P. Karthika, Mr. K. Bakiyaraj (2017) analysed the financial statement of ACC Company to know about the liquidity, profitability, and operational position of the company. It was found that liquidity of company is satisfactory and long-term solvency seems also good, but profitability of the company is not good enough. They have to pay attention on cost reduction and adopt new techniques to improve profitability.

Tripathi (2020) examined the effects of M&As in FMCG sector in India. The study found that M&As positively affect productivity of acquiring Firms of FMCG organizations in India. There was additionally beneficial outcome of M&A action on Return on Capital Employed and Return on Net Worth and yet it found that M&A action has no constructive outcome on Operating overall revenue Ratio and Net Profit Margin Ratio of chose FMCG organizations. The study also found that the measures utilized for examination that shows in general improvement in the presentation of chose FMCG Organizations in India after M&As. The study Concluded that there have overall positive effects on performance of FMCG companies in long run with Reference to the Indian context.

OBJECTIVE OF STUDY

- To ascertain the position of current assets & liabilities of RAMCOIND and HIL company.
- To compare the profitability of RAMCOIND and HIL company.
- To compare and analyse the long term solvency and liquidity of RAMCOIND and HIL company.
- To reach on the conclusion and make suggestions to improve.

RESEARCH METHODOLOGY

1. This study is Analytical In nature.
2. This study is based on secondary data obtained from annual reports of companies.
3. This study uses Comparative Working Capital Analysis, Working Capital Turnover Ratio, Current Ratio, Debtor Turnover Ratio, Net Profit Ratio, Return on Investment Ratio, Debt-Equity Ratio, and Long Term Debt to Equity Ratio.

STUDY PERIOD: The period of this study is 2018-19 to 2022-23.

DATA ANALYSIS:

1. Working capital analysis: working capital is calculated by deducting current liabilities from current assets.

Table -1

(Rs. In crore)

Years	RAMCOIND	Growth %	HIL	Growth %
2018-19	284.41		123.66	
2019-20	327.53	15.16	208.74	68.80
2020-21	300.33	-8.30	141.10	-32.40
2021-22	387.64	29.07	293.44	107.97
2022-23	558.63	44.11	398.63	26.39

2. Working capital turnover ratio: working capital turnover ratio is calculated by dividing working capital to annual turnover.

Table - 2

Years	RAMCOIND	HIL
2018-19	.27	0.056
2019-20	.34	0.082
2020-21	.25	0.046

2021-22	.27	0.083
2022-23	.38	0.11

3. Current ratio: current ratio is the ratio between current assets and current liabilities.

Table - 3

Years	RAMCOIND	HIL
2018-19	.91	.86
2019-20	.83	.85
2020-21	.98	1.00
2021-22	.86	1.18
2022-23	.89	1.17

4. Debtor turnover ratio: this ratio is calculated by dividing net credit sales to average debtors.

Table - 4

Years	RAMCOIND	HIL
2018-19	9.96	13.80
2019-20	9.64	12.61
2020-21	12.00	18.04
2021-22	11.88	23.58
2022-23	15.31	21.75

5. Net profit analysis: net profit ratio is calculated in % form by dividing net profit to net revenue from operation.

Table - 5

Years	RAMCOIND	HIL
2018-19	8.15	6.85
2019-20	7.92	5.80
2020-21	11.04	11.98
2021-22	9.03	9.41
2022-23	7.31	6.03

6. Return on investment: return on investment (ROI) is calculated in % form by dividing net profit after tax to capital employed.

Table - 6

Years	RAMCOIND	HIL
2018-19	12.67	18.06
2019-20	10.15	10.98
2020-21	16.28	21.00
2021-22	13.71	23.05
2022-23	8.49	13.83

7. Debt-equity ratio: Debt-equity ratio is the ratio between debt and equity.

Table - 7

Years	RAMCOIND	HIL
2018-19	.21	.54
2019-20	.26	.51
2020-21	.16	.14
2021-22	.22	.06

2022-23	.28	.14
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8. Long term debt to equity ratio: this ratio is calculated by dividing long term debt to shareholders fund.

Table - 8

Years	RAMCOIND	HIL
2018-19	.03	.46
2019-20	.03	.28
2020-21	.03	.08
2021-22	.01	.01
2022-23	.03	.01

FINDINGS

1. Working Capital of RAMCOIND was increased from 284.41 Cr. to 558.63 Cr. and HIL's working Capital increased from 123.66 Cr. to 398.63 Cr. in last 5 years.
2. Working Capital turnover Ratio of RAMCOIND is in the Range of .25 to .38 and HIL's working Capital turnover range is 0.046 to 0.11. The turnover of HIL is two or three times more than RAMCOIND, so there is great difference in working Capital turnover Range of both companies.
3. The ideal Current Ratio is 2:1. Both companies have less than this Ratio. Current ratio of RAMCOIND was decreased but HIL's Current ratio was increased in Last 5 years.
4. The Debtors Turnover Ratio of RAMCOIND is highest in 2022 and lowest in 2020 while this ratio is highest for HIL in 2022 and lowest in 2020. And this Ratio is higher for HIL than RAMCOIND for these 5 years.
5. In the Net Profit Ratio, RAMCOIND is better than HIL in 2019, 2020 & 2023 while HIL is better than RAMCOIND in 2021 & 2022.
6. The Return on investment ratio of HIL is higher than RAMCOIND in these 5 years.
7. There is very narrow range of Debt-Equity ratio for RAMCOIND (0.28 to 0.16) while HIL has very wide range (0.54 to 0.11).
8. Long - term debt to Equity Ratio was same in 4 years from these 5 years for RAMCOIND but for HIL, this ratio's range was very wide (0.46 to 0.01).

LIMITATION OF STUDY

1. This study is based on secondary data derived from company's annual report.
2. This study has a short span of five years.
3. Only few ratios are studied in this study, so the conclusion is based on these ratios.

CONCLUSION

Financial analysis is the process of reviewing and analysing company's financial statement and make good decision in future. In this study, financial analysis of RAMCOIND and HIL is made. From this study, we reach on conclusion that working capital of both companies are increasing from 2018-19 to 2022-23. But growth rate of working capital of HIL is more than RAMCOIND. Working capital turnover is less for HIL because their turnover is more than RAMCOIND. Current ratio of both companies is not good because ideal current ratio is 2:1. Debtor turnover ratio is higher for HIL. Profitability of HIL Company is better than RAMCOIND, but solvency is good for RAMCOIND. It is suggested to RAMCOIND to improve their sales to get good profit and HIL Company to work on their solvency.

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