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## An Analysis On Cement Sector As An Investment Avenue

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### ABSTRACT

The cement industry plays a crucial role in economic development and infrastructure growth. India, as the second-largest producer of cement, has witnessed significant expansion in installed capacity and production over the past decades. This study analyzes the financial performance, profitability, and market trends of selected cement companies—Ultratech Cement, ACC Limited, J.K. Cement, Indian Cement, and Prism Cement—over the period 2020-2024. Using ratio analysis and trend analysis, the study assesses liquidity, profitability, and stock market performance. The findings indicate that while Ultratech Cement and ACC Limited have strong market presence, they face liquidity and profitability challenges. J.K. Cement struggles with consistent net losses, while Indian Cement and Prism Cement demonstrate stability and growth potential. Strategic recommendations include cost optimization, technological advancements, market diversification, and leveraging government infrastructure projects. The study concludes that efficiency improvements and financial restructuring are vital for sustained growth in the Indian cement industry.

### KEYWORDS

Cement Industry, Financial Performance, Profitability, Liquidity, Stock Market Analysis, Investment, Infrastructure Growth, Cost Optimization, Market Trends, India

### INTRODUCTION

The cement industry, a highly capital intensive, is a basic key industry and plays a vital role in the economic development of a country like India. India is the second largest producer of cement in the world behind China but ahead of the United States and Japan. The Indian cement industry has both in installed capacity as well as in actual production, grown significantly over the past three decades. It significantly contributes revenue to the central and state exchequers in the form of excise duties and sales tax. It accounts for nearly 1.3 percent of GDP and employs over 14 million people in India. Its investment in fixed and current assets is ever increasing to meet the demand for cement.

The Indian cement industry has evolved significantly in the last two decades, going through all the phases of typical cyclical growth process. With sound economic growth and infrastructure development, the demand for cement is on an upward trend, further addition to capacity is coming up to cater to the increasing demand for cements. India, being the second largest cement producer in the world after China with a total capacity of 151.2 Million Tonnes (MT), has got huge Cement Company. With the government of India giving

boost to various infrastructure projects, housing facilities and road networks, the cement industry in India is currently growing at an enviable pace.

Cement is a global commodity, manufactured at thousands of local plants. The cement industry in India is dominated by around 20 companies, which account for almost 70 per cent of the total cement production in India. Because of its weight, cement supply via land transportation is expensive, and generally limited to an area within 300 km of any one plant site. The industry is consolidating globally, but large, international firms account for only 30 per cent of the worldwide market. China is the fastest growing market today. Because it is both global and local, the cement industry faces a unique set of issues, which attract attention from communities near the plant, at a national and an international level.

## **CEMENT INDUSTRY IN INDIA**

The Indian cement industry with a total capacity of about 151.2 Million Tonnes is the second largest market after China. Although consolidation has taken place in the Indian cement industry with the top five players controlling almost 45% of the capacity, the balance capacity still remains pretty fragmented.

Cement, being a bulk commodity, is a freight intensive industry and transporting cement over long distances becomes very uneconomical. This has resulted in cement being largely a regional play with the industry divided into five main regions viz. north, south, west, east and the central region. While the southern region is excess in capacity owing to abundant availability of limestone, the western and northern region are the most lucrative markets on account of higher income levels.

The selected five companies are Ultratech Cement Limited, ACC Limited, J.K.Cement, Indian Cement and Prism Cement.

## **STATEMENT OF THE PROBLEM**

The cement sector notably plays a critical role in the economic growth of the country and its journey towards conclusive growth. Cement is vital to the construction sector and all infrastructural projects. The construction sector alone constitutes 1.3 per cent of the country's gross domestic product (GDP). The industry occupies an important place in the Indian economy because of its strong linkages to other sectors such as construction, transportation, coal and power. India is the second largest producer of quality cement in the world. The cement industry in India comprises 183 large cement plants and over 365 mini cement plants. Currently there are 40 players in the industry across the country. Since the operating efficiency of a firm and its ability to ensure adequate returns to its shareholders depends ultimately on the profits earned by it and Return on Investment is the ultimate parameter of the financial performance of a firm, the need is felt to undertake a study on the profitability of the selected cement companies.

In this scenario the investment portfolio should be mainly focused on availability of right amount of money at the right time to the right person can be called as an efficient portfolio. "Here the problem of the study is mainly focused on finding out efficient portfolio of the individuals based on the risk appetite of the person".

## **OBJECTIVES OF THE STUDY**

- To examine the liquidity of position of selected companies.
- To access the profitability position of the selected companies.
- To analysis the performance of selected cement companies in Indian stock market and to predict the future share prices

## RESEARCH METHODOLOGY

The study is based on secondary data for the top five companies in Cement Industry on the basis of market capitalization. Data's are collected from the secondary source such as ultratechcement.com, acclimited.com, jkcement.com, indiacements.co.in, money control . The study covered five year period from 2020 to 2024.

Tools used for this study are:

- Ratio Analysis
- Trend analysis

## REVIEW OF LITERATURE

B. Manjula Devi and K. Sabarinathan (2015), "A Study on Financial Performance of Cement Industries in Tamilnadu With Reference to Select Cement Companies". The study aims to analyse the production and sales trend of select cement companies in Tamil Nadu. This study is based on the secondary data from published reports and in journals articles for the cement industry during 2004-05 to 2013-14. The study concluded that the efficiency of a firm depends upon the working operations of the concern. Profit earning is considered essential for survival of the business. Both long term and short term solvency ratios prove the solvency position and efficiency of the select companies. The financial positions of the selected cement companies are satisfactory.

Mohan Kumar M S, Safeer Pasha M and Bhanu Prakash T N (2015), "Profitability Analysis Of Selected Cement Companies In India". The study mainly focuses on analyses of profitability of selected cement companies in India during period of 2005 to 2014, the tools used for analysis are mean, standard deviation, co-efficient of variation and compound annual growth rate, the study found that the profitability position of Ambuja cements is satisfactory when compare to other companies. After analysing the profitability of different cement companies during the study period from a different angle it is found that Ambuja cements the profitability position as show satisfactory when compare to other companies. The compound annual growth rate as shown satisfactory in India cements while compare to other companies hence all the cement companies should concentrate on modern techniques of production and different marketing strategies to increase the positive growth rate and profitability.

L. Leo Franklin and G. Revathi (2011), "A Comparative Analysis on the Financial Performance of Selected Cement Units In Tamil Nadu". The main objectives of the study is to examine the performance and the operational efficiency of the sample units in general. The study period is taken as ten years from 2000-2001 to 2009- 2010. Statistical tools like trend Percentage, Average, Standard Deviation, Co efficient of Variance, Correlation and Multiple Regression are used in the study. A study on Financial Performance of Ramco cements and Tancem reveals the satisfactory level as a whole. Though there are fluctuations in profit, the company is running with a high profit margin. The dividend paid to the shareholders is satisfactory. The net worth and capital employed are rose carefully by the management of the company. The debt to equity ratio has been extraordinarily performed. The company must take necessary steps to maintain and reduce the operating costs effectively.

Mrs.N. Sumathi and Dr. K. Jothi (2016), "A Study on Financial Performance of Cement Companies in India with reference to Ultratech Cement Limited and OCL India Limited – A Comparative Analysis". Aims to identify the profitability status of the selected cement companies. The study is based on convenience sampling method. The period of this study covered ten years from 2005-06 to 2014-15 . The collected data have been analyzed by making use of Ratio analysis, Mean, standard deviation and Co-efficient of variation. The study found that, the two companies' profitability ratio is satisfactory and the two companies' short term

liquidity position is not satisfactory because current ratio and Quick ratio level is below one and two companies are promptly maintained their inventory, investment and Debtors.

### CURRENT RATIO OF THE SELECTED COMPANIES FOR THE PERIOD 2020 TO 2024 TABLE NO 1.1

Company/Year	2020	2021	2022	2023	2024
Ultratech Cement Limited	-0.20	-0.39	-0.39	-0.42	-0.31
ACC Limited	0.40	-0.11	-0.21	-0.57	-0.74
J.K.Cement	3.68	3.93	3.75	3.12	3.36
Indian Cement	1.41	1.61	1.74	1.71	2.14
Prism Cement	1.49	1.70	1.67	2.25	1.88

### INTERPRETATION

#### Ultratech Cement Limited:

- Consistently negative performance over the years, with values fluctuating from -0.20 in 2020 to -0.31 in 2024.
- Although 2024 shows slight improvement, the company remains in a challenging position.

#### ACC Limited:

- Started with a positive value of 0.40 in 2020 but declined consistently to -0.74 in 2024.
- The sharp decline reflects significant operational or financial difficulties.

#### J.K. Cement:

- Displays strong and consistent performance, with values peaking at 3.93 in 2021.
- A slight decline in 2023 (3.12) followed by recovery to 3.36 in 2024 indicates resilience and stable operations.

#### Indian Cement:

- Shows steady growth, improving from 1.41 in 2020 to 2.14 in 2024.
- The consistent upward trend reflects efficient management and strong market positioning.

#### Prism Cement:

- Experiences fluctuations, peaking in 2023 (2.25) before declining slightly to 1.88 in 2024.
- Despite the slight dip, the company has maintained strong overall performance.

**QUICK RATIO OF THE SELECTED COMPANIES FOR THE PERIOD 2020 TO 2024**  
**TABLE NO 1.2**

Company/Year	2020	2021	2022	2023	2024
Ultratech Cement Limited	-0.47	-0.58	-0.56	-0.56	-0.36
ACC Limited	0.37	-0.14	-0.24	-0.59	-0.76
J.K.Cement	3.67	3.91	3.73	3.10	3.34
Indian Cement	1.40	1.59	1.72	1.70	2.12
Prism Cement	1.35	1.58	1.51	2.02	1.71

### INTERPRETATION

#### Ultratech Cement Limited:

- The company consistently reports negative values, ranging from -0.47 in 2020 to -0.36 in 2024.
- There is a slight improvement in 2024, but overall performance remains below expectations.

#### ACC Limited:

- Displays a steady decline from 0.37 in 2020 to -0.76 in 2024.
- The consistent downward trend highlights operational or market-related challenges.

#### J.K. Cement:

- Maintains a strong position with values ranging from 3.10 to 3.91, though there is a dip in 2023.
- Recovery in 2024 (3.34) suggests resilience and continued market strength.

#### Indian Cement:

- Demonstrates steady growth from 1.40 in 2020 to 2.12 in 2024.
- The upward trend indicates consistent improvement and strong operational efficiency.

#### Prism Cement:

- Shows fluctuations, peaking at 2.02 in 2023 before declining to 1.71 in 2024.
- While overall performance is positive, the decline in 2024 reflects some challenges.

**GROSS PROFIT RATIO****TABLE NO 2.1**

<b>Cement Sector</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Ultratech Cement Limited	0.687	0.582	0.624	0.567	0.656
ACC Limited	1.008	0.997	0.524	0.484	0.569
J.K.Cement	1.047	1.071	1.069	1.073	1.059
Indian Cement	0.991	0.984	0.985	0.984	0.988
Prism Cement	0.451	0.475	0.385	0.376	0.735

**INTERPRETATION****Ultratech Cement Limited:**

- Performance fluctuates slightly, with values ranging from 0.567 in 2023 to 0.687 in 2020.
- A recovery is observed in 2024 (0.656), indicating improving operational efficiency.

**ACC Limited:**

- Declines from 1.008 in 2020 to 0.484 in 2023 but shows slight improvement in 2024 (0.569).
- The overall trend highlights challenges in maintaining past performance levels.

**J.K. Cement:**

- Consistently strong, with values remaining above 1.047 throughout the period.
- A minor fluctuation between 2020 and 2024 reflects stability and robust operations.

**Indian Cement:**

- Displays remarkable consistency, maintaining values close to 0.984 across all years.
- Reflects steady operational and financial management.

**Prism Cement:**

- Fluctuates significantly, starting at 0.451 in 2020, declining to 0.376 in 2023, and then sharply increasing to 0.735 in 2024.
- The 2024 recovery indicates potential growth opportunities despite earlier challenges.



## NET PROFIT RATIO

TABLE NO 2.2

Cement Sector	2020	2021	2022	2023	2024
Ultratech Cement Limited	0.07	-0.02	0.03	-0.16	-0.05
ACC Limited	0.04	-0.15	-0.02	-0.14	-0.11
J.K.Cement	-0.33	-0.29	-0.27	-0.34	-0.32
Indian Cement	0.07	0.06	0.06	0.05	0.06
Prism Cement	0.16	0.18	0.13	0.08	0.34

## INTERPRETATION

**Ultratech Cement Limited:**

- Performance fluctuates between positive and negative values, starting at 0.07 in 2020 and declining to -0.05 in 2024.
- The consistent negative trend after 2021 indicates challenges in maintaining stability.

**ACC Limited:**

- Begins with a positive value of 0.04 in 2020 but transitions to negative performance from 2021 onwards.
- The decline to -0.11 in 2024 highlights sustained difficulties in achieving profitability.

**J.K. Cement:**

- Consistently negative across all years, with values ranging from -0.27 to -0.34.
- While there are minor improvements, the company struggles with ongoing challenges in operations or cost management.

**Indian Cement:**

- Displays a stable but modest positive trend, fluctuating slightly between 0.05 and 0.07 throughout the period.
- The steady performance reflects reliable but limited growth.

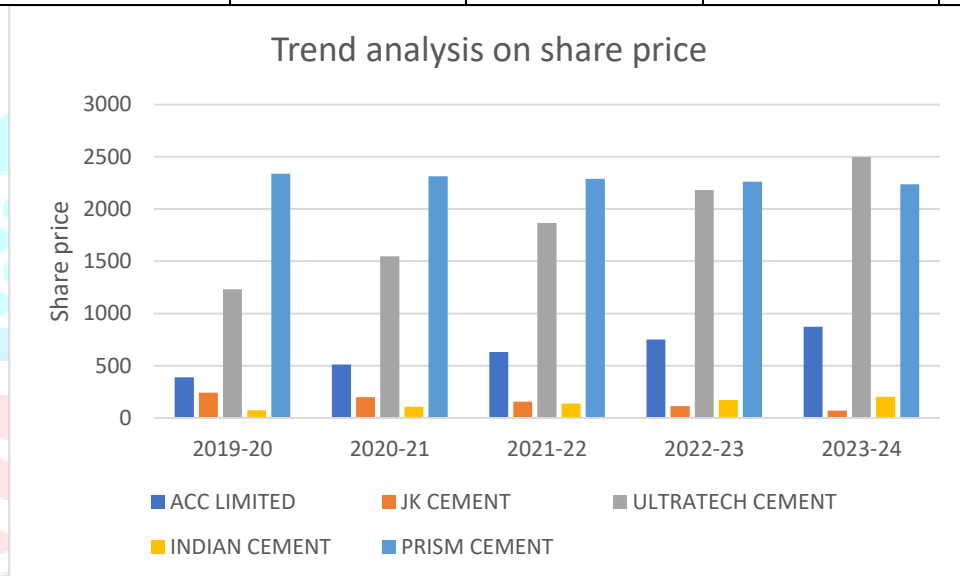
**Prism Cement:**

- Exhibits notable fluctuations, starting at 0.162 in 2020 and peaking at 0.348 in 2024 after a dip in 2023.
- The sharp recovery in 2024 suggests strong growth potential despite earlier inconsistencies.

## Trend analysis on share price

TABLE NO 3.1

Year	ACC LIMITED	JK CEMENT	ULTRATECH CEMENT	INDIAN CEMENT	PRISM CEMENT
2019-20	390.17	242.89	1231.32	74.05	2339.39
2020-21	510.81	199.43	1548.11	106.10	2313.75
2021-22	631.45	155.98	1864.90	138.15	2288.12
2022-23	752.09	112.53	2181.70	170.20	2262.48
2023-24	872.73	69.08	2498.49	202.25	2236.85



## INTERPRETATION

**UltraTech Cement** has the highest revenue across all years, consistently increasing each year from 1,231.32 in 2019-20 to 2,498.49 in 2023-24, showing robust growth.

**Prism Cement** had the highest revenue in 2019-20 at 2,339.39, but has shown a declining trend over the years, dropping to 2,236.85 in 2023-24. Despite this, it remains a major player, though its market performance seems to be weakening slightly compared to UltraTech.

**ACC Limited** has experienced consistent growth, rising from 390.17 in 2019-20 to 872.73 in 2023-24. This growth rate is impressive, positioning ACC as a company on the uptrend in terms of revenue.

**Indian Cement** has also shown steady growth, from 74.05 in 2019-20 to 202.25 in 2023-24. While still far behind the larger companies like UltraTech, its growth indicates a healthy trajectory.

**JK Cement** shows a mixed performance: revenue dropped from 242.89 in 2019-20 to 199.43 in 2020-21, but then started declining further, reaching just 69.08 in 2023-24. This suggests a significant reduction in market share or other operational challenges for JK Cement.



## Findings:

### Liquidity Position:

- Ultratech and ACC struggled with negative current and quick ratios throughout the period, indicating poor short-term liquidity.
- J.K. Cement displayed strong liquidity with consistent positive ratios.
- Indian Cement and Prism Cement maintained stable liquidity, with slight fluctuations.

### Profitability Trends:

- **Ultratech Cement Limited** showed fluctuating profitability, with consistent negative trends in net profit ratio after 2021, indicating operational challenges.
- **ACC Limited** exhibited declining profitability, transitioning from a positive to a sustained negative net profit ratio from 2021 onward.
- **J.K. Cement** consistently recorded negative net profit ratios, highlighting ongoing challenges.
- **Indian Cement** maintained stable but modest profitability throughout the analyzed period.
- **Prism Cement** showed notable fluctuations but a strong recovery in net profit ratio by 2024, reflecting potential growth opportunities.

### Market Performance:

- Ultratech Cement achieved the highest share price growth, reflecting robust market positioning.
- ACC Limited demonstrated consistent growth, indicating investor confidence.
- Indian Cement exhibited steady but modest share price growth.
- Prism Cement showed declining revenue, despite some recovery in profitability.
- J.K. Cement faced significant market challenges, with declining share prices indicating reduced investor interest.

### Suggestions:

- Focus on cost optimization to address declining profitability and liquidity challenges.
- Invest in innovative production technologies and diversify product offerings to boost margins.
- Reassess operational strategies to address consistent net losses and declining market performance.
- Enhance marketing strategies and explore new markets to regain market share.
- Continue leveraging existing operational efficiency to maintain consistent growth.
- Invest in branding and marketing to enhance market visibility and share.
- Focus on stabilizing operations to sustain profitability improvements observed in 2024.

- Address revenue decline by identifying high-potential markets and enhancing customer outreach.
- Companies should adopt environmentally sustainable production methods to align with global trends.
- Leverage government infrastructure projects to drive demand for cement products.

## Conclusion

The Indian cement industry remains a cornerstone of economic development, significantly contributing to infrastructure expansion and GDP growth. With India being the second-largest cement producer in the world, the sector has seen rapid growth driven by rising demand, urbanization, and government initiatives in infrastructure development. However, despite its potential, the industry faces numerous financial and operational challenges that require immediate attention to ensure long-term sustainability and profitability.

This study analyzed the financial performance of five leading cement companies—Ultratech Cement, ACC Limited, J.K. Cement, Indian Cement, and Prism Cement—over the period 2020-2024 using ratio analysis and trend analysis. The findings indicate that while Ultratech Cement and ACC Limited dominate in market presence and revenue generation, they struggle with persistent liquidity and profitability concerns, marked by negative current and quick ratios as well as fluctuating net profit margins. This suggests underlying operational inefficiencies and cost management issues that need to be addressed to maintain their leadership positions.

J.K. Cement has consistently reported net losses over the study period, highlighting ongoing financial difficulties and raising concerns about its ability to sustain operations without major strategic interventions. The company must focus on improving cost structures, operational efficiency, and market strategies to reverse its declining financial trajectory.

On the other hand, Indian Cement and Prism Cement have demonstrated relative stability, with consistent or improving profitability trends. Indian Cement, in particular, has maintained steady financial performance, indicating effective management and operational efficiency. Prism Cement, despite some fluctuations, showed a strong recovery in profitability in 2024, reflecting its potential for growth and resilience in a competitive market.

From a market performance perspective, UltraTech Cement exhibited the highest share price growth, reflecting strong investor confidence and market positioning. ACC Limited also showed consistent stock market gains, indicating positive investor sentiment. However, J.K. Cement experienced a significant decline in share prices, further reinforcing concerns about its financial health and market competitiveness.

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