



A PROFITABILITY ANALYSIS FROM THE VIEW POINT OF SHAREHOLDERS OF  
SELECTED INDIAN CEMENT COMPANY

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*Abstract*

*The present study evaluated the problems and prospects of share holders of selected cement companies in India. For the purpose of investigation purely secondary data is collected from annual report of cement industries and profile of the industries. The study covers a period of 7 years from 2008-09 to 2014-2015. This study has analyzed only the financial problems of share holders of the company. Study accompanied on problems and prospects of cement companies provided an assessment of problems in dividend policy analysis and prospects of the cement companies based on their balance sheet and profit and loss a/c from Annual reports. The tools are use for analysis accounting ratio and Statistical tools like Mean, S.D. (Standard Deviation) and F ANOVA. Based on the findings, suggestions are given by the researcher for better improvement of the management of cement industry in future.*

*Keywords: Cement, financial analysis, secondary data, profitability analysis, Dividend policy.*

## I. INTRODUCTION

In olden days, various types of building materials were used for construction of public historical and religious buildings sand, lime, and stone in the special case; marbles were used for this purpose. Gradually cement and new types of material had developed in Europe. In 1824 an English man Joseph Aspadin, patented on artificial made by calcinations of an argillaceous limestone known as Portland cement. During the phase of increasing demand of cement many companies comes in production. Researcher research on the view point of share holders like dividend paid by the Cement Companies, Earnings per share by the company and how much Dividend payout ratio of the cement company. All the topics detail described below briefly.



## II. OBJECTIVES

- To study the policy of dividend distribution of selected cement companies.

## III. HYPOTHESIS OF THE STUDY

The researcher starts the study with the following broader hypothesis.

- Null hypothesis
- Alternative hypothesis

H0      There is no significant difference in policy of dividend of selected cement companies.

H1      There is a significant difference in policy of dividend of selected cement companies.

## IV. UNIVERSE AND SAMPLE SELECTION FOR THE STUDY

There are so many cement companies which are listed in stock exchange of India. Out of these Cement Companies, This study uses data collected from 7 years of following cement industries based on sales turnover above 1000 Core.

Researcher was randomly selected 5 Cement Companies for the period of 2008-09 to 2014-15.

1. Ambuja cement company
2. Binani cement company
3. Ultratac cement company
4. J.K. Lakhmi cement company
5. Sanghi cement company

## V. PROFITABILITY ANALYSIS FROM THE VIEW POINT OF SHAREHOLDERS

### 1. Dividend per Share:

The dividend paid to shareholders on a per share basis is the Dividends per Share Ratio. In other words, Dividends per Share Ratio is the net distributed profit belonging to the shareholders dividend by the number of ordinary shares outstanding. The formula for derivation of this ratio is:

$$\text{Dividends per Share Ratio} = \frac{\text{Profits after interest and preference} - \text{Dividend paid to ordinary shareholders}}{\text{No. of ordinary shares outstanding}}$$

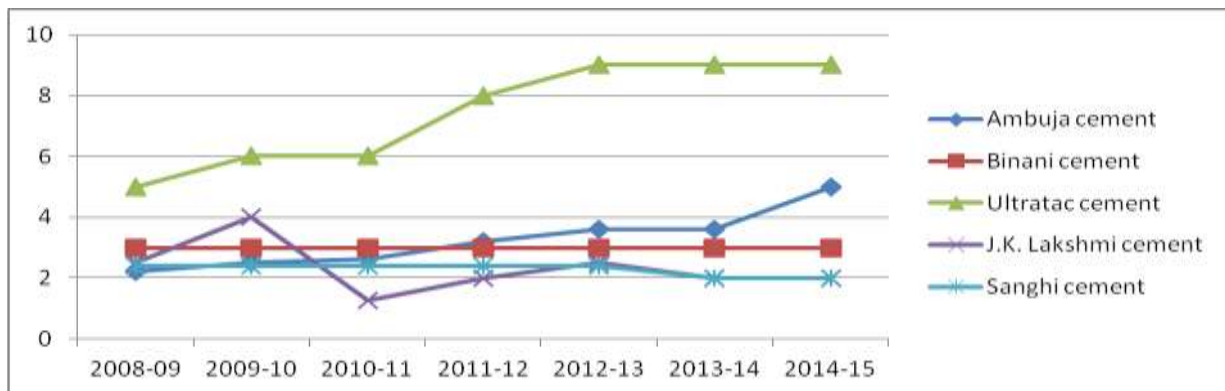


Table 1.1 Dividend per share of select cement companies

Name of company	Ambuja cement	Binani cement	Ultratac cement	J.K. Lakshmi cement	Sanghi cement
2008-09	2.20	3	5	2.50	2.40
2009-10	2.50	3	6	4.00	2.40
2010-11	2.60	3	6	1.25	2.40
2011-12	3.20	3	8	2.00	2.40
2012-13	3.60	3	9	2.50	2.40
2013-14	3.60	3	9	2.00	2.00
2014-15	5.00	3	9	2.00	2.00
Average	3.6	3	8.2	1.95	2.29
S.D	0.88	0.00	1.30	0.45	0.22
C.V	24.53	0.00	15.90	22.93	9.57

Table 1.1 indicates the value of dividend per share ratio of Ambuja cement, binani cement, Ultratac cement J.k.lakshmi cement and sanghi cement which indicate dividend per share ratio of seven years 2008-09 to 2014-15. Dividend per share ratio of Ambuja cement was in increasing trend. Ambuja cement Company was earning highest 5 rupees in 2014-15. Dividend per share ratio of Binani cement was same in all seven years. Dividend per share ratio of Ultratac cement was in increasing trend. Its position was good. Ultratac is highest dividend per share Payer Company of five cement companies. Dividend per share ratio of J.k.Lakshmi cement was in mix trend. Dividend per share of Sanghi cement was equaled from 2008-09 to 2012-13.

Graph 1.1 Dividend per share ratio of select cement companies





Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Ambuja cement	5	18	3.6	0.78
Binani cement	5	15	3	0
Ultratac cement	5	41	8.2	1.7
J.K. Lakshmi cement	5	9.75	1.95	0.2

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	114.3094	3	38.10313	56.87034	9.37E-09	3.238872
Within Groups	10.72	16	0.67			
Total	125.0294	19				

**(2) Ratio of Earning per Share (E.P.S):** Apart from the rates of return, the profitability of a firm from the point of view of the ordinary shareholders is the Earning per Share. It measures the profit available to the equity shareholders on a per share basis; it is calculated by dividing the profits available to the shareholders by the number of the outstanding shares. The profits available to the ordinary shareholders are represented by net profits after taxes and preference dividend. The formula for derivation of this ratio is:

$$\text{Earnings per Share} = \frac{\text{Net Profit available to equity holders}}{\text{No. of Ordinary shares Outstanding}}$$

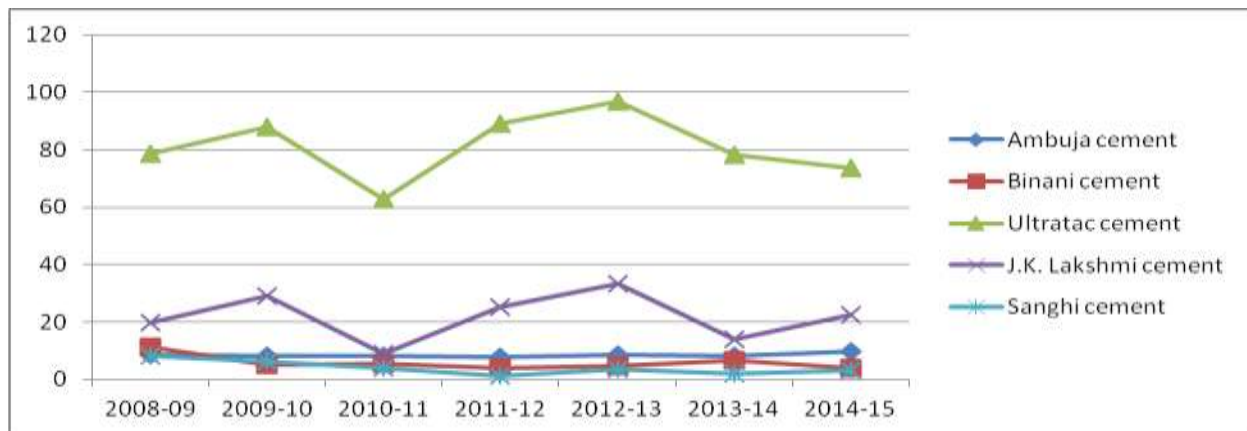
**Table 2.1 Earnings per share ratio of select cement companies**

Name of company	Ambuja cement	Binani cement	Ultratac cement	J.K. Lakshmi cement	Sanghi cement
2008-09	8.48	11.40	78.48	19.70	8.25
2009-10	8.36	5.06	87.82	29.19	6.45
2010-11	8.28	5.63	62.74	9.16	4.05
2011-12	8.02	3.87	89.26	25.36	1.34
2012-13	8.43	4.62	96.87	33.40	3.72
2013-14	8.39	6.62	78.21	13.88	2.09
2014-15	9.67	4.07	73.44	22.44	3.23
Average	8.56	4.96	80.10	20.85	2.87
S.D	0.64	1.15	13.36	9.56	1.14
C.V	7.50	23.20	16.68	45.86	39.48



Table 2.1 indicates the value of earning per share ratio of Ambuja cement, binani cement, Ultratac cement J.k.lakshmi cement and sanghi cement which indicate Earning per share ratio of seven years 2008-09 to 2014-15. Earnings per share ratio of Ambuja cement was in mix trend. Ambuja cement Company was earning highest 9.67 rupees in 20014-15. Earnings per share ratio of Binani cement were given poor Eps comparative to all seven companies. Earnings per share ratio of Ultratac cement was in increasing trend. Its position was good. Ultratac is highest earning per share Payer Company of five cement companies. Earning per share ratio of J.k.Lakshmi cement was in mix trend. Dividend per share of Sanghi cement was highest EPS in 2008-09 it was 8.25.

Graph 2.1 Earnings per share ratio of select cement companies



Anova: Single  
actor

SUMMARY

Groups	Count	Sum	Average	Variance
Ambuja cement	5	42.79	8.558	0.41197
Binani cement	5	24.81	4.962	1.32507
Ultratac cement	5	400.52	80.104	178.6089
J.K. Lakshmi cement	5	104.24	20.848	91.40192
Sanghi cement	5	14.43	2.886	1.29813

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	21014.49846	4	5253.625	96.20401	9.1E-13	2.866081
Within Groups	1092.18408	20	54.6092			
Total	22106.68254	24				



**(3) Dividend Payout Ratio:** It measures the relationship between the earnings belonging to the ordinary shareholders and the dividend paid to them. In other words, the Dividend Payout Ratio shows what percentage share of the net profits after taxes and preference dividend is paid out as dividend to the equity holders. It can be calculated by dividing the total dividend paid to the owners by the total profits or earnings available to them.

$$\text{Dividend Pay Out Ratio} = \frac{\text{Dividend per share (DPS)}}{\text{Earnings per share (EPS)}} \times 100$$

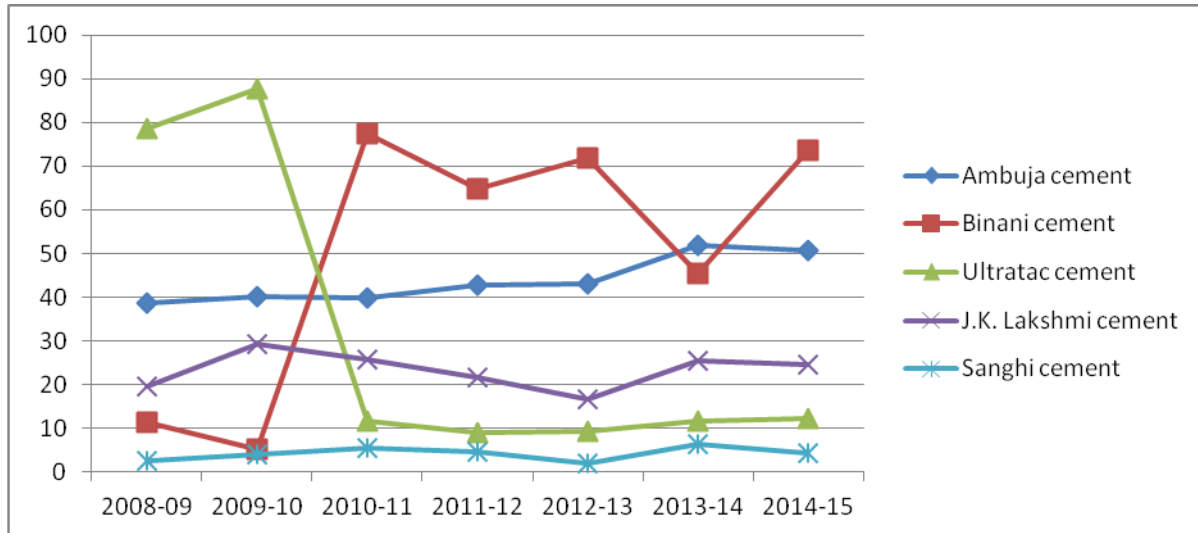
**Table 3.1 Dividend payout ratio of select cement companies**

Name of company	Ambuja cement	Binani cement	Ultratac cement	J.K. Lakshmi cement	Sanghi cement
2008-09	38.59	11.40	78.48	19.70	2.39
2009-10	40.12	5.06	87.82	29.19	4.05
2010-11	39.93	77.46	11.70	25.85	5.34
2011-12	42.77	64.89	8.96	21.74	4.61
2012-13	42.97	71.70	9.29	16.67	2.08
2013-14	51.76	45.29	11.50	25.30	6.31
2014-15	50.80	73.69	12.26	24.61	4.22
Average	45.65	66.61	10.74	22.83	4.14
S.D	5.29	12.76	1.51	3.79	1.58
C.V	11.60	19.16	14.03	16.61	38.03

Table 3.1 indicates the value of dividend payout ratio of Ambuja cement, binani cement, Ultratac cement J.k.lakshmi cement and sanghi cement which indicate dividend payout ratio of seven years 2008-09 to 2014-15. Dividend payout ratio of Ambuja cement was in mix trend. Ambuja cement Company was earning highest 51.76% in 2013-14. Dividend payout ratio of Binani cement was in mix trend. There were big different in upper and lower dividend payout ratio. Dividend payout ratio of Ultratac cement was in mix trend. Dividend payout ratio of J.k.Lakshmi cement was in mix trend. Dividend per share of Sanghi cement was very poor in all five companies. Its highest payout ratio is 6.31% in 2013-14. That was lowest ratio of all other cement companies but it has high C.V in all other companies. It was 38.03%.



Graph 3.1 Dividend payout ratio of select cement companies



Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Ambuja cement	5	228.23	45.646	28.01243
Binani cement	5	333.03	66.606	162.8144
Ultratac cement	5	53.71	10.742	2.27012
J.K. Lakshmi cement	5	114.17	22.834	14.38083

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	9201.236	3	3067.079	59.13073	7.05E-09	3.238872
Within Groups	829.9112	16	51.86945			
Total	10031.15	19				

## VI. RESULTS AND DISCUSSION

Table 1.1 shows the Dividend per share of Ambuja cement, Binani cement Ultra Tech, J.K Lakshmi and sanghi cement companies and the mean values are 3.6, 3, 8.2, 1.95 and 2.29 respectively. From the findings, The C.V. is 24.53, 0.00, 15.90, 22.93 and 9.57 respectively. F-ANOVA of all this companies  $F_{cal}$  Value is 56.87 and  $F_{tab}$  value is 3.24. Here  $F_{cal}$  value is more than  $F_{tab}$  value so Hypothesis is Rejected. Table 2.1 shows the Earning per share ratio of Ambuja cement, Binani cement Ultra Tech, J.K Lakshmi and sanghi cement companies and the mean values are 8.56, 4.96, 80.10, 20.85 and 2.87 respectively and the S.D are 0.64, 1.15, 13.36, 9.56 and 1.14 respectively. From the findings, Ultratac Cement Company has highest Earning per share making company. F-ANOVA of Earning per share Ratio of all five companies  $F_{cal}$



value is 96.20 and  $F_{tab}$  value is 2.87 and P value is 9.10. Table 3.1 shows the Dividend payout ratio the mean values are 45.65, 66.61, 10.74, 22.83 and 4.14 respectively, the SD of the companies are 5.29, 12.76, 1.51, 3.79 and 1.58 respectively. The C.V. are 11.60, 19.16, 14.03, 16.61 and 38.03 respectively. From the findings, F-ANOVA of all this companies  $F_{cal}$  Value is 59.13 and  $F_{tab}$  value is 3.24. Here  $F_{cal}$  value is more than  $F_{tab}$  value so Hypothesis is Rejected.

**Table 4.1 F-Anova Result of Cement Companies**

Name of Ratio	P Value	$F_{cal}$ Value	$F_{tab}$ Value	Hypothesis Selected/Rejected
Dividend per share	9.37	56.87	3.24	Rejected
Earning per share	9.1	96.20	2.87	Rejected
Dividend payout ratio	7.05	59.13	3.24	Rejected

## VII. CONCLUSION

Study accompanied on problems and prospects of cement companies provide an opinion of assessment of problems in Dividend policy and pay out analysis and prospects of the cement companies based on their balance sheet and profit and loss a/c. On the base of above research Ambuja Cement Company had Dividend per share and earnings per share was lower and it's Dividend payout ratio was higher. UltraTech Cement Company had Dividend per share and Earnings per share were higher and Dividend payout was lower and Binani Cement Company had lower Dividend per share and Earnings per share and Dividend payout was higher. The study may also be useful to creditors and the financial institutions in their effective credit policy formulation. The study will act as a guide to investors in their investment decisions.

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