

Analysing Risk and Performance of Selected BSE listed Indian Cement Companies

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ABSTRACT

This paper makes an attempt to study the risk and performance of selected BSE listed Indian cement companies for the period 2005-06 to 2009-2010. To measure the return & risk, four important measures have been used viz., Beta Coefficient, standard deviation, coefficient of variance and mean values. Moreover, Price Movement, performance and ownership pattern of the target companies have also been studied.

Key Words: OPM-Operating Margin, CMR- Cash Margin Ratio, CV- Coefficient of Variance, S.D.- Standard Deviation, GPM- Gross Profit Margin.

Introduction

India, being the second largest cement producer in the world after China with a total capacity of 151.2 Million Tones (MT), has got a huge cement industry. 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 Industry Instigated in India when the first plant started production in 1914 in Probandar, Gujarat. The cement industry is growing since at a steady pace, but in the early stage, particularly during the period before freedom, the growth had been very slow. Since homegrown production was not adequate to meet the entire domestic demand, the Government had to control its price and distribution statutorily. Large quantities of cement had to be imported for meeting the deficit. The industry was partially decontrolled in 1982 and this gave impetus to its pace of growth. Installed capacity more than doubled during the period 1980-90. It increased from 27 million tones in 1980-81 to 62 million tones in 1989-90 (www.siadipp.nic.in).

Encouraged by the positive response of the industry to the policy liberalisation in the cement industry, Government decontrolled the industry fully on 1st March 1989. With the Industrial Policy Statement made by the Government on 24th July 1991, the cement industry stands delicensed. It has also been listed as a priority industry in Schedule III of the Industry Policy Statement making it eligible for automatic approval for foreign investment upto 51 per cent and also for technical collaboration on normal terms of payment of royalty and lumpsum know-how fee (www.siadipp.nic.in).

Indian cement industry has thus been one of the revolutionary industries in introducing policy reforms. After the economic

reforms, privatisation liberalisation and globalisation of Indian economy, the cement industry has been growing rapidly at an average rate of 8 per cent except for a small period in 1991-92 when the industry faced demand slump. Now India is the second largest producer of cement in the world. It has also started exporting large quantities of cement and clinker.

Finally in 1989, the cement industry was considered to be prepared for free market competition, and all price and distribution controls on sale of cement were withdrawn. The system of freight pooling was abandoned and a subsidy scheme to ensure availability of cement at reasonable prices in remote and hilly regions of the country was worked out. The industry was then de-licensed in July 1991 under the policy of economic liberalization. By removing all controls on the cement sector the government hoped to accelerate growth and induce further modernization and expansion investments. It was after this decontrol that the Indian cement industry moved towards globalization, with increasing emphasis on the exports. The expansion of the industry was evident after the decontrol where capacity as well as production increased many fold. Growth was seen from 91 plants and 43 million tones of production in 1989-90 boosting to 132 plants and 161.66 million tones production in 2006-07 (CMA 2007). Total capacity utilization for the industry has also increased from 78% to 91% during the same period.

Price and distribution controls lifted on 1st March 1989 and licensing abolished since 25th July 1991, gave fresh impetus to the key infrastructure industry. However, the performance of the industry improved all the more after late 1990s guiding it to newer heights. The process of improvement in key performance indicators of the industry can be analyzed during changing policy regimes of the government.

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Although India is the second largest producer, its share in the world trade was only about 4% in 1994-95. Cement import of the Middle East and South East Asia accounts for about 25-30% of the global cement trade. Because of its proximity to these countries and the popularity of Indian cement in these regions, India is capable of exploiting a major share of this import. Because of its ideal geographical position and other advantages like abundant availability of raw materials and cheap labour, India is in ideal position to increase exports particularly to its neighbouring countries like Bangladesh, Sri Lanka, Middle East countries, Africa and South East Asian countries. At present, 65-70% of our cement and clinker trade is with the neighbouring countries like Bangladesh, Nepal, Sri Lanka and UAE. With port facilities, transport infrastructure and bulk transportation India will be able to increase its export of cement and clinker considerably and also to diversify its export market. Bangladesh is a major target of Indian export. Export to Bangladesh is taking place by rail, road and sea. Through better coordination between the Railway Authorities of both the countries, opening up of more entry points and storage facilities at the international border, constructing new jetties and providing better equipped carriers, export can be stepped up substantially. A number of measures have already been taken to remove the constraints that hamper the growth of trade between India and Sri Lanka in cement export.

The installed capacity of the Indian cement industry has continuously shown an increase over the period. The industry started with 0.0010 million tonnes (m.t.) of installed capacity in 1914 and reached 3.28 m.t. in 1950 and 9.30 m.t. in 1960. The growth in the capacity has been traced from 1970 onwards when the industry fell in the hands of government control. In the period between 1970-71 and 1988-89, the installed capacity of the cement industry grew from 17.61 m.t. to 58.97 m.t. at the ACGR of 7.47%. This remarkable growth in the capacities was due to producers' expectation of growing markets. But due to various controls and lack of adequate demand, the growth of the industry was not noticed on the desired rates. This resulted in oversupply and low capacity utilizations. Following this, the period after total decontrol till 2006-07, the capacity addition although increased at rates approximately equal to previous period at 7.09% annually, it could hardly match the pace. This was although good for capacity utilizations as production increased at greater rates. The ACGR in the total period of 1970-71 to 2006-07 is calculated to be a decent 7.28% (Burange L.G & Yamini Shruti (2008))

Traditionally, cement has been a heavily taxed sector with both the central and the state governments levying the taxes which amount to around 30% of the selling price of cement or around 70% of the ex-factory price (excluding local

transport and dealer margins) (ICRA 2006). The major taxes/levies comprise central excise duty; sales tax levied by the respective state governments; royalty and cess on limestone and coal; and, duties on power tariff. The excise duty rates on cement are on specific basis, as against ad valorem rates on most products.

Most of the cement producing companies in India has been caught in a vicious down cycle facing a threat to their viability. Therefore, financial health of cement companies has been subject to empirical investigation. In this study an attempt has been made to determine the combined effect of various financial ratios with the help of MDA. The estimated discriminate function could be of great use for the management in ascertaining the financial health. This study would also be useful to all companies, policy makers and researchers for appraising financial health of corporate sector in general and cement companies in particular (Selvam 2009).

Research Methodology

The present study is based on a sample of seven large cement companies operating in India. These companies constitute a major part of the cement industry in terms of market sharing within the country. The relevant secondary data have been collected from the BSE and CMIE database for a period of five years from 2005 to 2010.

The present study has been divided into two sections. In the first section the performance of selected BSE companies has been analyzed through various profitability and earning ratios. To measure the risk/ volatility and return, the Beta Value and other statistical techniques Viz., Mean, Standard Deviation and Coefficient of Variance have been used.

The second part of the study examines price movement, ownership pattern, stock sensitivity as compare to BSE sensex and performance in terms of net sales, net profit and market capitalization of selected cement companies.

Objectives of the Study

The main objectives of the study are:

1. To measure risk and return of the selected cement companies.
2. To examine the past behaviour of selected BSE cement stocks with respect to price, volatility, ownership pattern and performance in terms of net sales, net profit and market capital.

Analysis and Interpretation

I: Measuring Risk and Return

This part of the study examines the risk and return of selected cement companies in terms of their profitability ratio, earning ratio and Beta Value.

Operating margin ratio was highest in Shree Cement with much consistency over the period of study as revealed from mean OPM and CV. Subsequently, this ratio was in second and third place in the companies Viz., Ambuja and India Cement whereas this ratio was minimum in JK Cement and more volatile in India Cement as compared to others.

GPM ratio reveals that it was highest in Ambuja Cement Co. Ltd. followed by Jaypee and ACC. Higher the CV of this ratio, reveals much volatility in Shree Cement and India Cement

Earning Per Share ratios, viz., adjusted EPS, Adjusted Cash EPS, reported EPS and Reported cash EPS reveal that these ratios have remained very higher in Shree cement Ltd. whereas in the companies viz., Ultratech and Shree Cement, these ratios were found in second and third place respectively. Moreover these ratios were lowest in Ambuja Cement Ltd. Adjusted EPS and EPS have remained much volatile in Shree Cement Co. Ltd.

Earning Per Share has remained much volatile in the companies viz., Shree Cement and Jai Prakash Associate. Volatility in these ratios was low in Ambuja Cement Ltd as compared to other remaining companies.

Average DPS reflects that it was highest in the ACC, followed by Shree Cement and Ambuja Cement and it was found lower (1.75) in India Cement Ltd. whereas dividend per share was not consistent in Jaiprakash Associate and it was more stable in India cement and ACC.

Net operating income per share was highest in Shree Cement Ltd, followed by Ultratech Cement, ACC and J.K. Cement and lowest in Ambuja Cement Ltd.. Further it was more volatile in Jai Prakash Associate and Shree Cement and much consistent in India Cement and J.K. Cement Ltd. Book value per share including and excluding reserve was highest in Shree Cement. Moreover it was in second and third place in Ultratech Cement and ACC whereas lowest in Ambuja Cement Ltd. These ratios have remained more consistent in India cement Ltd. and ACC as compared to other companies while these were more volatile in Shree Cement, Jai Prakash Associate and Ultratech Cement.

Beta value of these companies stock reveals that market price of stock viz., Jai Prakash Associate, JK Cement, Shree Cement and Ultratech Cement have remained much volatile as compared to BSE Sensex. Whereas the market price of stock related to ACC, Ambuja and India price has less volatile as compared to BSE sensex. Whereas this ratio remained much consistent in case of Jaiprakash Associate and Ambuja Cement Co. Ltd as compared to other companies under the study.

Net profit margin ratio was highest in Ambuja Cement, followed by ACC and Jai Prakash Associate Co. Ltd. whereas this ratio was lowest in J. K. Cement Company respectively.

Cash Margin Ratio has remained highest in Shree Cement and it was in second and third place in case of companies viz., Ambuja and ACC. Cash Margin Ratio (CMR) was more consistent in Ambuja and Shree Cement respectively on the other hand, it remained more volatile in India Cement and Jaypee Cement.

Return ratios viz., Adjusted return on net worth, reported return on net worth and return on long term funds were quite high in the companies viz, Shree Cement, Ultratech and ACC whereas these ratios were much consistent in ACC and more volatile in India Cement.

Table 1.1 Profitability and Return Ratios

Profitability ratios	ACC			India Cement			JAYPEE			AMBUJA			UltraTech Cement Ltd.			Shree Cements Ltd.			JK CEMNET		
	MEAN	S.D	C.V	MEAN	S.D	C.V	MEAN	S.D	C.V	MEAN	S.D	C.V	MEAN	S.D	C.V	MEAN	S.D	C.V			
Operating margin (%)	26.43	10.957	0.18	26.94	7.10	0.26	26.93	3.56	0.13	30.99	4.16	0.13	26.54	5.54	0.21	38.33	4.67	0.12	21.17	4.19	0.20
Gross profit margin (%)	21.95	8.480	0.23	21.69	7.65	0.35	22.03	3.33	0.15	25.92	4.72	0.18	21.34	6.37	0.30	18.23	8.53	0.47	18.04	4.51	0.25
Net profit margin (%)	18.89	9.243	0.10	13.31	6.94	0.52	15.25	2.83	0.19	22.23	5.49	0.25	14.20	4.24	0.30	13.23	7.03	0.53	10.44	4.36	0.42
Adjusted cash margin (%)	20.00	8.120	0.19	19.07	7.14	0.37	15.45	4.69	0.30	23.35	3.06	0.13	19.22	3.56	0.19	33.66	5.43	0.16	13.47	4.10	0.30
Adjusted return on net worth (%)	24.76	9.042	0.30	18.28	11.25	0.62	13.15	4.73	0.36	24.50	9.92	0.40	30.59	9.76	0.32	34.02	17.40	0.51	22.95	10.23	0.45
Reported return on net worth (%)	30.14	12.956	0.19	18.07	10.75	0.59	19.40	6.31	0.33	29.26	10.70	0.37	30.94	9.56	0.31	33.70	15.94	0.47	23.07	10.27	0.45
Return on long-term funds (%)	32.53	12.109	0.28	16.29	5.27	0.32	11.00	1.31	0.12	30.96	10.56	0.34	29.26	9.55	0.33	20.67	10.67	0.52	23.61	8.27	0.35

Source: CMIE

Table 1. 2: Earning Ratios

	ACC			India Cement			JAYPEE			AMBUJA			UltraTech Cement Ltd.			Shree Cements Ltd.			JK CEMNET		
	MEAN	S.D	C.V	MEAN	S.D	C.V	MEAN	S.D	C.V	MEAN	S.D	C.V	MEAN	S.D	C.V	MEAN	S.D	C.V	MEAN	S.D	C.V
Adjusted EPS (Rs)	55.87	23.28	0.42	15.04	9.13	0.61	9.61	7.06	0.73	6.99	2.39	0.34	65.29	28.22	0.43	99.27	79.09	0.80	23.98	11.35	0.47
Adjusted cash EPS (Rs)	70.56	26.28	0.37	21.05	8.29	0.39	13.82	9.72	0.70	8.76	2.63	0.30	87.64	32.44	0.37	206.84	107.08	0.52	30.94	12.83	0.41
Reported EPS (Rs)	64.43	19.08	0.30	14.71	7.41	0.50	13.90	10.33	0.74	8.44	3.08	0.36	65.71	27.95	0.43	98.16	79.38	0.81	24.16	11.42	0.47
Reported cash EPS (Rs)	79.12	22.06	0.28	20.72	7.54	0.36	18.11	12.93	0.71	10.21	3.20	0.31	88.06	32.19	0.37	205.73	107.35	0.52	31.11	12.94	0.42
Dividend per share	17.20	5.27	0.31	1.75	0.43	0.25	1.88	1.21	0.64	2.64	0.73	0.28	4.35	1.62	0.37	8.40	3.21	0.38	3.90	1.53	0.39
Operating profit per share (Rs)	91.15	34.04	0.37	28.89	8.73	0.30	22.84	15.50	0.68	11.49	3.53	0.31	119.43	44.43	0.37	237.53	136.03	0.57	47.10	15.53	0.33
Book value (excl rev res) per share (Rs)	217.50	71.47	0.33	83.01	26.89	0.32	68.15	37.84	0.56	29.86	10.62	0.36	220.20	114.12	0.52	256.44	180.48	0.70	103.52	37.64	0.36
Book value (incl rev res) per share (Rs.)	217.50	71.47	0.33	112.90	17.90	0.16	77.29	46.76	0.61	29.86	10.62	0.36	220.20	114.12	0.52	262.41	174.37	0.66	145.20	34.96	0.24
Net operating income per share (Rs)	331.72	88.61	0.27	106.02	14.25	0.13	87.08	60.28	0.69	36.92	10.44	0.28	436.22	115.87	0.27	605.72	326.51	0.54	217.27	52.68	0.24
Free reserves per share (Rs)	198.86	74.90	0.38	65.18	27.66	0.42	55.11	29.87	0.54	26.54	10.94	0.41	197.15	116.01	0.59	206.08	173.89	0.84	88.04	33.41	0.38
BSE Stock Beta Value	0.87			0.90			1.94			0.93			1.05			1.18			1.39		

Source: CMIE

II. Price Movement, Stock Sensitivity Performance and Ownership Pattern

In this section, the performance of selected BSE cement stocks has been analyzed in terms of net sales, net profit and market capital. The price movement of these companies had been studied and trends are analyzed with 50 days moving average and 200 moving average. Percentage change in the price of selected stocks has also been compared with BSE sensx to know the sensitivity of particular cement stock as compare to BSE sensx. Moreover, this section also highlights the ownership patterns of targeted cement stock during last 5 years.

1. Associated Cement Company Ltd.

Fig. 1.1 Price Movement in Associated Cement Company Ltd.

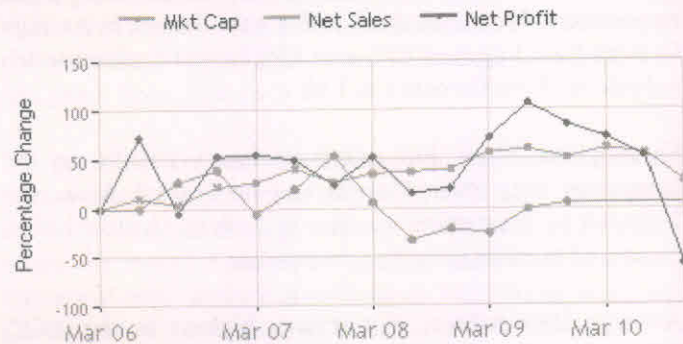


Source: BSE

The share price of ACC was highest between the periods of September 2010 to December 2010. Whereas prior to December 2009, its share price was at lowest level (approx

Rs. 400). In overall its Daily moving average (50 and 200 DMA) reflects the increasing trend in the market share price of ACC (Figure 1.1)

Fig. 1.2 Performance Chart Associated Cement Company Ltd.



Source: BSE

Figure 1.2 exhibits the performance of Associated Cement Company Ltd. in terms of percentage change in Market Capital, Net sales and net profit for the last 5 years. Net change in net sales and net profit were highest during the mid of financial year 2009- 2010. After this period, percentage change in these had been continuously declined. Change in sales have come to zero, while there was negative effect on the net profit during the mid of financial year 2010 and 2011. Percentage change in market capital had remained highest during the mid of financial year 2007-08, after this period there was regularly decline. During mid of 2008-09, it turns to negative, but in the financial year 2009-10, it had been improved and it had been slightly more than zero (Figure1.2).

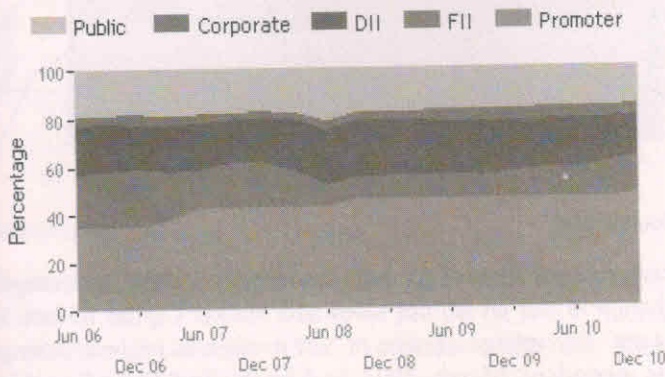
Fig. 1.3 Index Comparison of BSE and Associated Cement Company Ltd.



Source: BSE

In overall, Percentage in the ACC price is highest as compare to BSE sensdex. There was negative change in the price ACC between the periods of October 2009 to January 2010. Whereas the change in BSE sensdex was less negative as compare to ACC stock. Further, the change in the value of ACC stock was less as compare to BSE SENSEX in the month of August –September 2010. In other period, percentage in stock price of ACC had remained higher than BSE sensdex (Figure 1.3)

Figure- 1.4 Ownership Pattern in Associated Cement Company Ltd.



Source: BSE

The ownership pattern depicts that promoters stake have remained 30% to 40% during last 5 years. Whereas 20% shares of Associated Cement Company Ltd.held by general public. The proportion of FII has continuously declined from June 2008 onwards. During December 2010, FII share was near to 10%, whereas domestic institutional investors and corporate investors have remained approx 20%(Figure 1.4).

2. Ultratech Cement

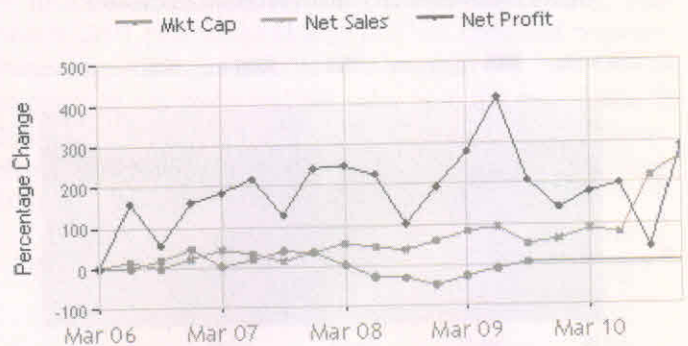
Figure 2.1 Price Movement in Ultratech Cement



Source: BSE

Market price of the stock of Ultratech cement had remained high (near to Rs. 1200) in the month of April 2010, further it was near to 1200 in the month of November 2010. The market price of Ultratech Cement stock was lowest (near to 700) in the month of November 2009 and approximately 750 in the month July 2010. Moreover 50 and 200 days DMA have shown increasing trend during last one year (Figure 2.1)

Figure. 2.2 Performance Chart of Ultratech Cement



Source: BSE

Percentage change in Net profit and net sales have remained very high during the mid of March 2009 to March 2010. The change net sales have always remained positive during last 5 years ranging 20% to 100%. Post march 2010; it was highest (approx 250%). Percentage change in market capital of Ultratech Cement had remained positive till March 2008. But between the periods of March 2008 to March 2009, it turned to negative. Further it turned to 0 in the mid of March 2009 to March 2010 (Figure 2.2)

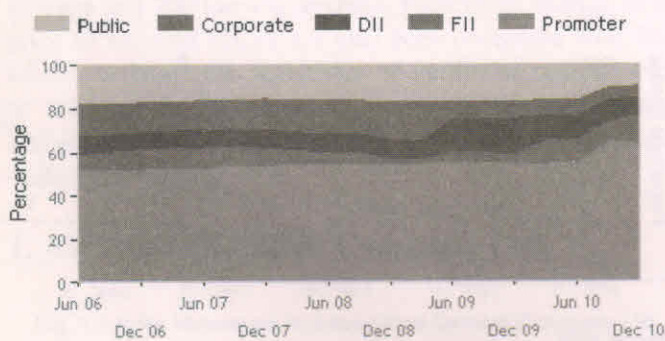
Figure 2.3 Index Comparison of Ultratech Cement and BSE sensex.



Source: BSE

Index comparison show that percentage change in the prices of Ultratech cement had remained below BSE sensex between the period of October 2009 to January 2010 & July 2010 to September 2010. During October 2009 to January 2010 there was negative change in the prices of Ultratech stock. While the percentage change in the stock of Ultratech cement was highest in April 2010 and quite higher than BSE sensex between the periods of January 2010 to June 2010. During January 2010, percentage change in the value of Ultratech stock had remained much closer to BSE sensex (Figure 2.3).

Figure 2.4 Ownership Pattern in Ultratech Cement



Source: BSE

Ownership Pattern figure exhibits that promoters stake had remained around 50%, but during January 2010 onwards there was increase in their share and now it is much closer to 60%. Public ownership had remained around 20 %, from January 2010 it has continuously decreased and the end of 2010, it was near to 15%. Similarly, the corporate share had also declined from June 2009 onwards. While the DII and FII shares were marginally increased (Figure 2.4)

3. Ambuja Cement Ltd.

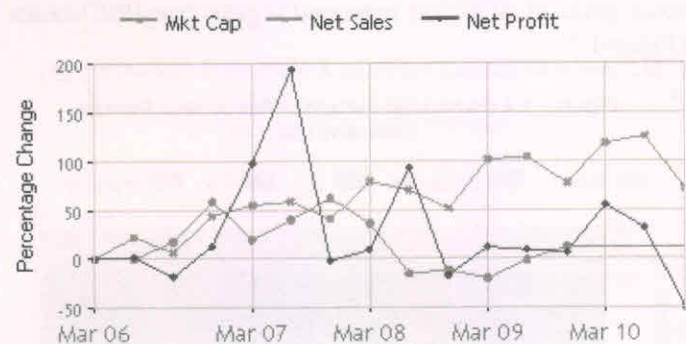
Figure 3.1 Price Movement AMBUJA Cement Ltd.



Source: BSE

Prices of the stock of Ambuja Cement Ltd. had shown increasing trend as exhibited through 50DMA and 200 DMA. The prices of Ambuja scrip had remained highest October 2010 (Figure 3.1).

Figure 3.2 Performance Chart of AMBUJA



Source: BSE

Performance chart of Ambuja cement depicts the percentage change in net profit, net sales and market capital of last 5 years. Percentage change in Net profit was highest during the period of March 2007 to March 2008. But after this percentage change in Net profit has continuously declined and post March 2010, there had been negative change in it. Percentage change in sales was also fluctuating during last 5 years. In overall it had been increased. Percentage change in market capital had remained positive upto March 2008, where it was negative between the periods of March 2008 to December 2010. But after January or February 2010 onwards, it slightly improved and turns positive and remained constant from March 2010 onwards (Figure 3.2)

Figure 3.3 Index Comparison of AMBUJA Cement Ltd.

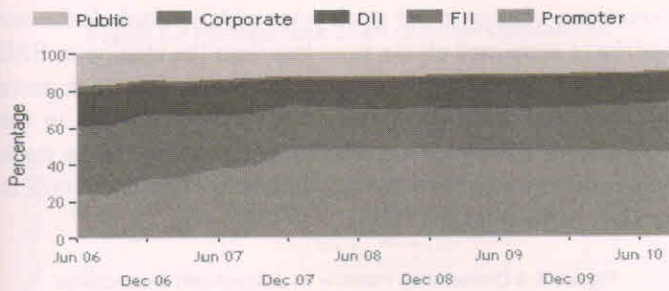


Source: BSE

From January 2010 onwards, the Percentage change in the stock prices of Ambuja cement remained greater than BSE sensx. Whereas between the periods of October 2009 to January 2010, the percentage changes in its stock prices was less than percentage change in BSE sensx value.

Between the periods of October 2010 to January 2011, percentage increase in the stock value of Ambuja cement was above 40%, while during this period percentage change in BSE sensx was around 20% (Figure 3.3)

Figure 3.4 Ownership Pattern in AMBUJA Cement Ltd.



Source: BSE

Ownership pattern figure depicts that promoters stake is around 40%, FII and DII 40%. Public 10 to 15 % and corporate approximately 5%. Promoters stake had been increased by 10 to 15% during December 2007. Whereas in the same period there was decrease in the Share of FII, DII and public holding (Figure 3.4).

4. India Cement ltd

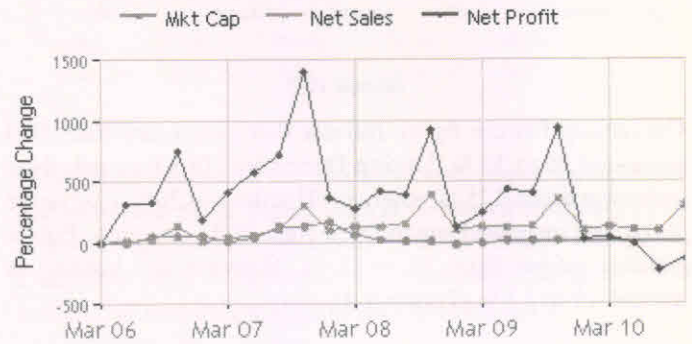
Figure 4.1 Price Movement in India Cement Ltd



Source: BSE

Price Movement figure of India Cement Ltd depicts that there had been decreasing trend in the stock prices of India Cement Ltd as reflected through its 50DMA and 200 DMA. As its both trend lines are coming down from left to right. Its stock price had remained optimal in the month of April 2010. But after this period, these had been declined and come down to 100 in the month of January 2011 (Figure 4.1)

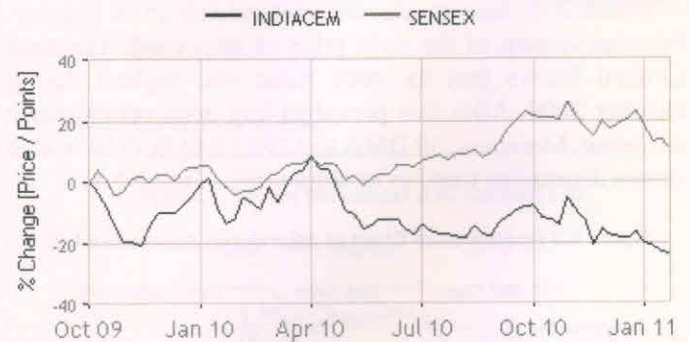
Figure 4.2 Performance Chart of India Cement Ltd



Source: BSE

Performance chart of India Cement Ltd exhibits that percentage change in its net profit had remained much higher during the period of March 2007 and March 2008. Further, percentage change in it was also high during the mid of financial year 2008-09 and 2009-10 respectively. Post March 2010, percentage change in it had remained negative. Percentage Change in its market capital was very low as compare to net profit and net sales upto the period March 2008. After this period, there was no change in it. Percentage change in net sales had comparatively increased from March 2008 onwards (Figure 4.2).

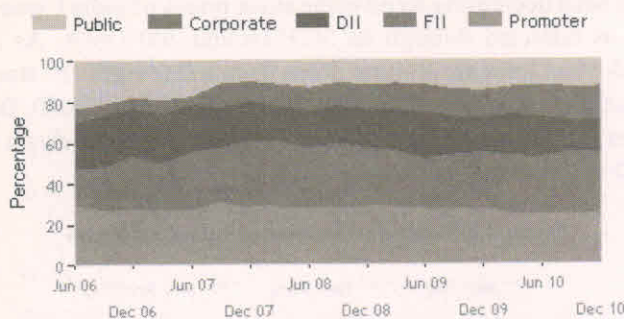
Figure 4.3 Index Comparison of India Cement and BSE SENSEX



Source: BSE

Percentage changes in the stock price of India cement have always remained less than the percentage change in the BSE sensx. Moreover, there was negative change in its scrip price during the period of October 2009 to January 2011 (Figure 4.3).

Figure 4.4 Ownership Pattern in India Cement



Source: BSE

Ownership Pattern figure reflects that promoters stake had remained 25 to 30 %. During December 2009 onwards their stake was around 25%, whereas FII stake was 30%, Corporate stake had increased much from June 2007 onwards. Public holding ranges from 10 to 15 %. Whereas DII holding is around 15 to 17 % (Figure 4.4).

5. Jaiprakash Associates Ltd.

Figure 5.1 Price Movement in Jaiprakash Associates Ltd.



Source: BSE

Price movement of the scrip price of Jaiprakash Associate Limited Shows that its stock value was highest during October 2009. After this period, it had been continuously declining. Moreover, 50 DMA and 200 DMA both have also shown decreasing trend in its scrip price. (Figure 5.1)

Figure 5.2 Performance Chart of Jaiprakash Associates Ltd.



Source: BSE

Performance of Jaiprakash Associates is exhibited through market capital, Net sales and net profit of last 5 years. Its percentage change in net profit was highest between the period of June 2009 and June 2010. Whereas percentage change in market capital was highest during March –April 2008 and became constant from December 2009 onwards. Percentage change in sales upto December 2008 was very less, but after this period, it had been significantly improved (Figure 5.2)

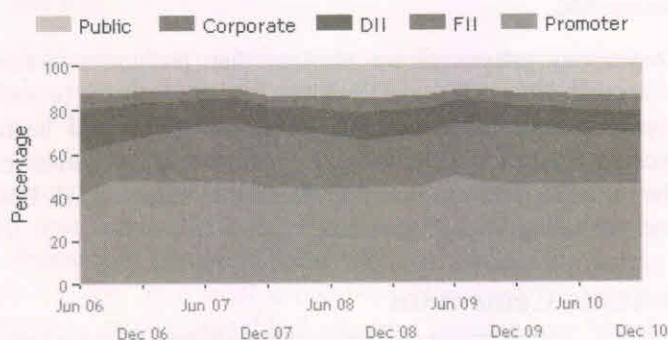
Figure 5.3 Index Comparison Jaiprakash Associates and BSE Sensex



Source: BSE

Percentage change in the stock price of Jaiprakash Associate Ltd. have remained all the time less than the change in BSE sensex. In overall, percentage changes in its stock have continuously declined. Whereas percentage change in the BSE sensex has increased. Moreover percentage in its stock had remained negative during the period October 2009 to January 2011 (Figure 5.3)

Figure 5.4 Ownership Pattern in Jaiprakash Associates



Source: BSE

Ownership pattern reveals higher stake of the promoter followed by FII, DII Public and corporate respectively (Figure 5.4).

6. Shree Cement Ltd.

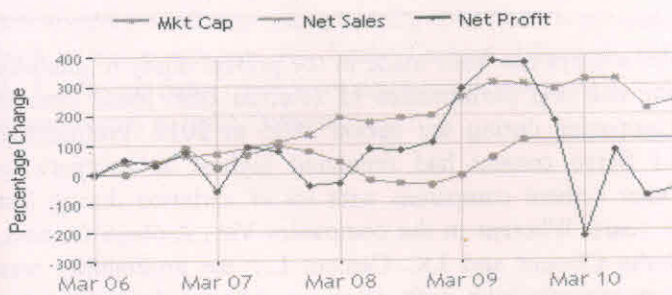
Figure 6.1 Price Movement of Shree Cement Ltd.



Source: BSE

Price movement figure of Shree Cement Ltd. reveals that its share price had always remained more than Rs.1500 during last one and half year. Minimum point of its stock price was approx Rs. 1600 (during October –November 2009) and it was highest with approx Rs.2300 (in the month of march 2010.) Further, it was again approx 2300 in the month of October 2010. Where its daily moving average (50DMA and 200 DMA) reflects the upward trend its stock price (Figure 6.1).

Figure 6.2 Performance Chart of Shree Cement Ltd.



Source: BSE

Performance chart of Shree Cement Ltd. depicts percentage change in market capital, net profit and net sales of last 5 years. Percentage change in net sales had rapidly increased from March 2007 onwards. Percentage change in market capital had remained much volatile between the periods of March 2009 to December 2010. During September –October 2010, percentage change in it was maximum (near to 400%) but Post September 2009, it started to decline. In the month of March 2010, it was negative to 200%. On the other hand, % change in market capital had remained positive upto March 2008. Between the periods of March 2008 to march 2009, it also remained negative, but after March 2009 it started increasing and reached upto 100% then it became constant. Post September 2009 till January 2011, it had remained constant with 100% (Figure 6.2)

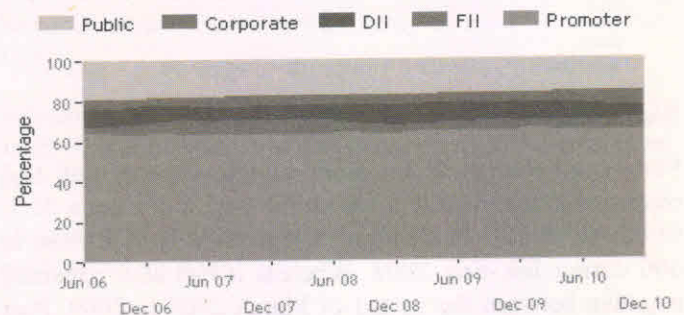
Figure 6.3 Index Comparison of Shree Cement Ltd. and BSE sensex



Source: BSE

Percentage change in the stock price of Shree Cement Ltd. had remained much higher than BSE sensex upto July 2010. After this period, it was closer to BSE sensex. But during December 2010 to January 2011, percentage change in Shree cement ltd. was below BSE sensex (Figure 6.3).

Figure 6.4 Ownership Pattern in Shree Cement Ltd.



Source: BSE

Promoters' ownership in shree cement ltd had remained approx 60% during last 5 years. FII, DII and corporate stake around 20 %. Public stake was also around 20% during this period (Figure 6.4).

7. J.K. Cement Ltd.

Figure 7.1 Price Movement J.K. Cement Ltd.



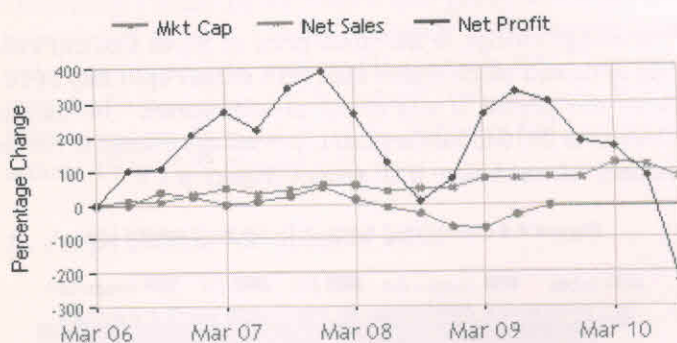
Source: BSE

Figure 7.1 depicts price movement of the J.K. cement Ltd. Stock price of this company had remained high between the period of January to April 2010. Post April 2010, it was continuously declined. After July 2010, it was below than 150, but after that it was slightly increased.

Further it started to decrease from October 2010 onwards. It was lowest in the month of January 2011.

Whereas 50 DMA and 200 DMA exhibit the increasing trends in the stock price of J.K. Cement Ltd. (Figure 7.1)

Figure 7.2 Performance Chart of J.K.CEMENT LTD



Source: BSE

Percentage change in net profit of J.K. Cement Ltd. had remained much volatile between the period of March 2006 to March 2010. Percentage change in it was highest to 400 during Jan.-Feb. 2008. Whereas it had also remained negative between the period of March 2008 to 2009. Post March 2010, It had remained highly negative.

Whereas percentage change in net sales was much consistent with positive or negative changes ranges 0-20% (Figure 7.2).

Percentage change in market capital was slightly positive or negative upto the period of Feb-2008. But post March 2008, it had always remained negative (Figure 7.2)

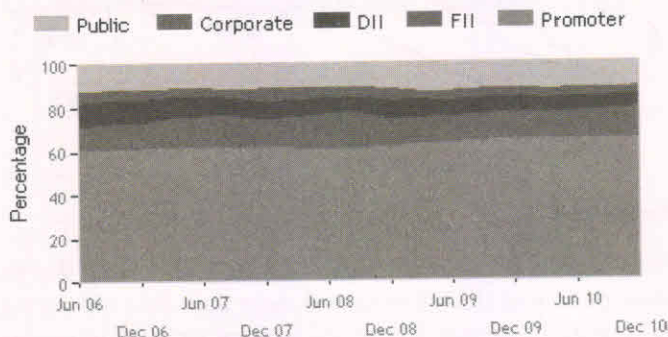
Figure 7.3 Index Comparisons of BSE Sensex and J.K.CEMENT LTD



Source: BSE

Percentage change in the stock price of J.K. Cement Ltd. had remained much higher than BSE sensex in all periods except December 2009 and December 2010 onwards. Post December 2010 it had remained much lesser than BSE Sensex (Figure 7.3).

Figure 7.4 Ownership Pattern in J.K.CEMENT LTD



Source: BSE

Promoters' ownership in J.K. Cement ltd had remained approx 60% during last 5 years. FII, DII and corporate stake around 30 %. Public stake was also around 10% during last 5 years (Figure 7.4).

Conclusion

An attempt has been made in the present study to analysis the risk and performance of selected BSE listed cement companies during the period 2005 to 2010. Profitability of Shree cement had remained highest as compare to other cement companies with lot of variation during last 5 years. Whereas in the companies Viz., Ambuja Cement, India Cement and J.K. Cement Ltd the profitability was subsequently high with much consistency throughout the study period.

Similarly earning of companies studied through various ratios had remained much high in Shree cement with high volatility during last five years. Earning of Ambuja Cement Ltd. had remained much steady with moderate return as studied through Coefficient of variance and Standard deviation and mean. Dividend per share was highest in the companies viz., ACC and Shree Cement. Whereas dividend per share was inconsistent in Jaiprakash Associate and more stable in India cement and ACC.

Net operating income per share was highest in Shree Cement Ltd, followed by Ultratech Cement, ACC and J.K. Cement and lowest in Ambuja Cement Ltd.. Further it was more volatile in Jai Prakash Associate and Shree Cement and much consistent in India Cement and J.K. Cement Ltd. Book value per share including and excluding reserve was highest

in Shree Cement. Moreover it was in second and third place in Ultratech cement and ACC whereas lowest in Ambuja cement Ltd. These ratios have remained more consistent in India Cement Ltd. and ACC as compared to other companies while these were more volatile in Shree Cement, Jai Prakash Associate and Ultratech Cement.

Beta value of these companies stock reveals that market price of stock viz., Jai Prakash Associate, JK Cement, Shree Cement and Ultratech cement have remained much volatile as compared to BSE Sensex. Whereas the market price of stock related to ACC, Ambuja and India price has less volatile as compared to BSE sensex.

Net profit margin ratio was highest in Ambuja Cement, followed by ACC and Jai Prakash Associate Co. Ltd. whereas this ratio was lowest in J. K. Cement Company respectively.

Cash Margin Ratio has remained highest in Shree Cement and it was in second and third place in case of companies viz., Ambuja and ACC. Cash Margin Ratio (CMR) was more consistent in Ambuja and Shree Cement respectively on the other hand, it remained more volatile in India cement and Jaypee Cement.

Return ratios viz., Adjusted return on net worth, reported return on net worth and return on long term funds were quite high in the companies viz, Shree Cement, Ultratech and ACC whereas these ratios were much consistent in ACC and more volatile in India Cement.

The study concludes that the companies namely ACC, Shree Cement and Jai Prakash Associate show very good performance over the period of study. Finally, the study states high volatility in the stock of JP, JK and Shree Cement whereas it remained less volatile in case of ACC, India Cements and Ambuja. In view of the observed β values, once again it may not be unwise to conclude that firms under study should take necessary steps in order to improve efficiency in this regard. This is, in particular, important in the context of the present competitive situation of the market.

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