



A STUDY ON PROFITABILITY ANALYSIS OF SHREE CEMENT LIMITED IN INDIA

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Abstract:

The purpose of this study is to Profitability relationship between the dependent (Debt equity ratio) and independent variable (Current ratio, Return on asset, Asset structure , Return on equity, Interest coverage ratio) in the model of the Shree cement limited in India from the financial year 2015-2024 . Data are analysis using from the correlation and Regression analysis to find the association between the variables. The results show that Current Ratio and Return on Asset have a significant impact on Debt Equity ratio. The results shows Asset Structure negatively associated with debt equality ratio. These results are consisting with previous empirical studies; further recommendations are presented in the research.

Key Words: Profitability, Correlation, Return on Asset, Debt Equity Ratio.

Introduction:

Shree cement is an Indian cement manufacturer, founded in Beawar, Rajasthan, in 1979.now head quartered in Kolkata; it is India's third largest cement producer by capacity and second largest cement company by market capitalization. Shree cement has an installed capacity of 5050.9mt including overseas operations. It also produces and sells power under the Shree power (captive power plant) and Shree mega power (independent power plant).Shree cement was incorporated in 1979 by Benu Gopal Bangur. In 1983, it commissioned its first plant in Rajasthan, with production beginning in 1985.

Profitability is company's ability to make money relatives expenses .profit margin a common profitability measurement that show now much of each of sale goes towards costs and how much goes profit .Accounting profit also known as net profit this is the measure of a company's income after all expenses and taxes . Return on equity a ratio that tell shareholder's how profitable a company is based on its ability to generate a profit.

Research Objectives:

- To find the relationship between Debt - equity and Profitability Ratio
- To suggest the industry a way to increase profitability through adapting a better strategic frame work

Review Literature:

Biswajit Prasad Chaotic (2015) carried out their study on "A study on relationship between profitability and dividend payment in iron and steel industries" to analysis to examine, dips and dividend payout ratio of select companies he study was based on secondary data. The main source of data is collected national stock exchange a sample of five company has been selected for the dependent net profit and are considered variable ANNOVA, Descriptive, Correlation, statistical used for the analysis. He found hypotheses are tested with 95% of significance level. The study divided decision is a crucial decision for a firm because it makes a tradeoff between the requirement of fund for long term .Commitments and shareholders expectations.

Ade Rieky (2018) carried out their study on "The impact of cash conversion cycle on firm profitability of retail companies" to analysis to the study the increase in the Indonesian retail industry by from 2015 in line with national economic improvement great news for the country's reality industry in this study was based on secondary data. The main source of data is collected national stock exchange a sample of nineteen companies in four years company has been selected for the dependent net profit and considered I return on asset independent variable descriptive, statistic for used analysis. He found this study was conducted test whether the cash conversion cycle negatively affect the profitability the detail companies.

Sasikala (2016) carried out their study "On growth and profitability of selected Cement industries in India" to analysis to evaluate the growth prospects of selected Cement industries to compute ratio their effectiveness to find out the growth the study was based on secondary data. The main source of data is collected national stock exchange. A sample of data to cement industries company has been selected for the Independent variable return on equity correlations used for the analysis. He found their study has theoretical and practical significance and will help the academicians and researchers to develop new ideas for future study.

Sangeelamiftal (2018) carried out their study on "Impact of financial management decision profitability a study of steel companies in India" on current ratio debtor turnover ratio interest coverage been taken as explanatory variable he study was based on secondary data. The main source of data is collected national stock exchange. A sample of top twenty steel company has been selected for the independent current ratios, liquidity ratios in this variable correlations, descriptive statistical for used in this analysis. He found the empirical results found that current ratio, debtor turnover ratio, debt equity ratio, interest coverage ratio are significant while total dividend as% of profit after tax is a non- significant determinant of profitability of steel companies in the profitability position through various ratio among the firms to study the liquidity person through various related ratios for testing for testing short term solvency the firmand the main objective of the study is to measure the management decision on the profitability of selected twenty steel companies.

Elijohandoybada (2019) carried out their study on "Profitability through effective management of materials" to analysis the classical definition of the objectives of materials management is the accusation of materials and services of the right quality in the right times he study was of technique has been selected for the independent liquidity ratio variable and chi-square, correlation

statistics for used analysis. He found positive significant relationship this paper found out that there is a positive and significant relationship between materials management problems and the frequent breakdown of the plant.

Manish Guha (2019) carried out their study on “Financial stability profitability and growth analysis: A study select Indian companies” to analysis. In debt equity ratios he study was based on secondary data. The main source of data is collected are national stock exchange. A sample of last five years data of five company has been selected for the dependent debt equity ratio are considered Independent liquidity ratios variables correlations statistics for used and analysis. He found Debt equity ratios of the automobile companies are not as per industry standard which is due to company’s capital structure mainly based on shareholders fund not in debt capital.

Chitral Ekha and Dhadhal (2019) carried out their Study on “A study of profitability analysis of selected cement companies” to analysis to study the consent of profitability identify the profitability of cement companies over the period the study in this study was based on secondary data. The main source of data is collected national stock Exchange. A sample of 5 company and considered independent variable return on equity, return on assets ANOVA, Descriptive statistic used for the analysis. He found through this study knows the performance of cement in to knowledge particularly regarding variable.

Hemendra and Shah (2020) carried out study on a study on “Profitability performance of Indian cement industry” to analysis to examine the profitability performance based on turnover during the period of study of the cement campiest under the study secondary data. The main source of data is collected national stock exchange. A sample 10 Indian cement company period 10 years company has been selected for the dependent variable net profit ratio tools ANOVA, chi- Square used for the analysis. He found it is concluded that am each of the sector planning the economic development of ever country.

Hasan Uddin (2021) carried out their study on “Impact of operating expenditures on firms profitability “study on to the ever increasing cost of Doing business for companies around the word has put pressure on finance managers to analysis cost and scenarios and develop a robust cost strategy to take the profitability of their companies at maximum in this study was based on secondary data. The main source of data is collected national stock exchange. A sample annual report of twenty five pharmaceutical and chemical companies Dhaka company has been selected for the independent return on equity variable chi-square, descriptive statistics for used analysis. He found first the study shows that operating costs have a significant positive correlation with the profitability of pharmaceutical and chemical companies and the study companies decide as their primary goal to shareholders wealth to the maximum level in order to secure their existence in the market.

Sasikanta Tripaflly (2023) carried out their study on “ Fire value and profitability of study Arabia companies used on tadawal and moderating role of capital” study fire value and profitability and the shareholders are the investing in a firm profitability is the earning ability of a company from various activities he study was based on secondary data. The main source of data is collected national stock exchange. A sample of with a total 392 observations company has been selected for the independent return on asset ,retune on equity variable descriptive ,correlation analysis for used analysis. He found the results of the current study report a significant positive impact of profitability on fv and a significant negative impact on the CS on FVin and the current study the examined the effect of profitability on fv.

Methodology:

Secondary data required for research were collected from the official web site of Cement industry in Indian. Data were used on various financial statements of Shree Cement Company in India (2015-2024).

Regression Model:

The Multiple regression modes have been followed to test the empirical relationship between the dependent and independent variable of the firm.

$$DER = a + b_1 CR + b_2 ROA + b_3 AS + b_4 ROE + b_5 ICR + e$$

Where,

DER =Debt equity ratio

CR=Current Ratio

ROA=Return on Asset

AS=Asset Structure

ROE=Return on Equity

ICR=Interest Coverage Ratio

E=error term

Variables:

Dependent Variable:

Debt-Equity Ratio:

A debt equity ratio is a financial metric that compare a company’s debt to equity. The debt equity ratio is a percentage that indicates the proportion of a company debt compared to its equity.

$$\text{Debt Equity Ratio} = \text{Total Liabilities} / \text{Shareholders Equity}$$

Independent Variable:

Current Ratio:

The current ratio is a liquidity ratio that measures whether affirm has enough resources to meet its short term obligations.

$$\text{Current Ratio} = \text{Current Asset} / \text{Current Liabilities}$$

Return on Asset:

Return on asset is a financial ratio that measures how well a company uses its asset to generate profit.

$$\text{Return on Asset} = \text{Net Income} / \text{Average Total Asset}$$

Asset Structure:

Asset structures refer to the distribution of a company’s asset across different asset categories and now they are used.

$$\text{Asset Structure} = \text{Fixed Asset} / \text{Total Current Asset}$$

Return on Equity:

The expense direct related to production a product or services such as raw materials equity and other production costs.

$$\text{Return on Equity} = \text{Net Income} / \text{Share Holders Equity} / \&100$$

Interest Coverage Ratio:

The interest coverage ratio is a financial metric that measures a company ability to pay interest on its debt using its earning.

$$\text{Interest Coverage Ratio} = \text{EBIT} / \text{Interest Expense}$$

Results of the Study:

Results of the Correlations:

Table 1

Variable	R	R ²
Current Ratio	0.611	0.373321
Return on Asset	0.868	0.753424
Asset Structure	-0.433	0.187489
Return on Equity	-0.107	0.011449
Interest Coverage	0.029	0.000841

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table No: 1 represent the relationship between the variables independent and dependent variables used in this study. From this table it is clear that the variable is .Current Ratio and return on asset is positively association with Debt – Equity ratio. Whereas the variable likes asset structure is negatively associated with Debt - Equity ratio. So, we concluded that all the select variables have associated with profitability ratio in Sheer Cement Limited.

Result of the Regression:

Table 2: Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998 ^a	0.996	0.99	0.007

Predictors: (Constant), Interest coverage ratio, Return on asset, Current ratio, Return on equity

The model summary table illustrates the magnitude of the variable in the dependent variable as described by the independent variables. The value of the R- Square is 0.996 which is approximately the dependent variable 99.6% variance of the DER is explained by independent variables of profitability ratio.

Table 3: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1					
Regression	0.045	5	0.009	183.567	.000 ^a
Residual	0	4	0		
Total	0.045	9			

Predictors: (Constant), Interest coverage ratio, Return on asset, Current ratio, Return on equity, Asset structure

Dependent Variable: Debt equity ratio

ANOVA test to find out whether the regression model is valid or not. F- Statistics is 183.567 which are high and have a significant value of less that 5% which indicates that the testing of ANOVA is significant and that the model is valid from the given predictors.

Table 4: Regression Coefficient of Select Sheer Cement Limited

Variable	Model
(Constant)	
Un-Standardized co-efficient	-0.183
Standard error	0.056
T-Value	-3.283
P-Value	0.030
(Current Ratio)	
Un-Standardized co-efficient	0.389
Standard error	0.029
T-Value	13.642
P-Value	0.000
(Return on Asset)	
Un-Standardized co-efficient	0.517
Standard error	0.035
T-Value	14.987
P-Value	0.000
(Asset Structure)	
Un-Standardized co-efficient	-0.015
Standard error	0.013
T-Value	-1.094
P-Value	0.353
(Return on Equity)	
Un-Standardized co-efficient	-0.12
Standard error	0.00
T-Value	0.069

P-Value	-0.0250
(Interest Coverage Ratio)	
Un-Standardized co-efficient	-0.004
Standard error	0.048
T-Value	-0.085
P- Value	0.936

The Parameter of the regression model above the table is related. The Table No:4 shows the Significance of the individual independent variable in interpreting the dependent variable. The Un-Standardized Co-efficient (B) Value Shows the Magnitude and relationship between Debt Equity Ratio and independent variables of profitability ratio. The regression Co-efficient value shows the relationship between Debt equity ratio and independent variable of profitability ratio. The regression Coefficient value shows the relationship between DER and independent variables of profitability ratios. The regression of coefficient value shows Current Ratio and Return on Asset associated with Debt equity ratio .Other variable like current ratio not significant with Debt equity ratio.

Conclusion:

The purpose of this research study is to investigate the relationship between Debt equity ratio and Profitability Ratios. For this purpose Shree Cement Limited industry has been selected from Indian as study sample and is collected Nine years (2015-2024) and processed by using statistical tools. The study found that the R value of Current Ratio (0.611) and Return on asset (0.368) positively significant with Debt-Equity Ratio .Asset Structure (0.133) shows negatively correlate with Debt Equity Ratio. The Return on Asset type of return on investment metric that measures the profitability of a business in relation to its total assets .This ratio indicates how well a company is performing by comparing the profit (net income) it's generating to the capital it's invested in assets.

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