Performance Analysis through Value Added Statement of Selected Cement Companies of Gujarat Cement Industry

Abstract:

In this study measuring the some value added ratios of the selected cement industry in India like Gross value added ratio, Net value added ratio, Employee benefit ratio etc... the data is collected for the period of 4 years. Various statistical tools used like Average, Graph, Ratios and t test to analyze the data. In this study used the various ratios and find out the both company result so we can easily say that Ambuja cement its better than Sanghi cement only in case of Government share to Net value added ratio Sanghi cement is higher than Ambuja cement.

Introduction:

The cement industry is one of the largest industries in the world and occupies the predominant place as one of the basic industries for development and its ability to generate employment. Cement is located near the steel in the building material and, therefore, is the basis of all modern constructions. The cement industry in India is the second largest cement producer in the world. In the financial year June 2017, the total production capacity of cement is around 420 million tons. It contributes very high to Indian GDP. Housing is the main sector of cement consumption, around 67% of total consumption. The cement industry is very large and this sector is paying more revenue to the government of Rajasthan.

Over the past decade, the cement industry has experienced compound growth of 8% with an increase in the housing sector. In recent years, growth is not so good compared to the previous decade, due to slow economic growth. Cement, being a bulk product, the per capita consumption is still very low and, due to this, there is a high possibility of growth of the cement industry. Currently, Lafarge, Ultratech and Wonder Cement have installed high capacity plants that will further increase cement production in India.

LITERATURE REVIEW:


3. N. P. Agrawal who published a book “Analysis and Interpretation of Value Added Statement." He has studied methods of calculating value added forms of value added statement & various types of value added ratios and covered more than 7 various types of statically tools used through net value added & gross value added towards, stakeholder, owner (retained),
government, employees. He made several suggestions for the strengthening performance through value added reporting.

4. **P. MohanaRao** has written a book “Corporate social Accountings & reporting” published by **Deep & Deep** publication New Delhi. He has covered three types of social responsibility, concept of social responsibility. Social responsibility toward different groups like shareholder, employees, consumer, community, investors, suppliers, competitors, and government.

**OBJECTIVE OF THE STUDY:**

The mandatory objective of the study is to measure the social performance of the selected corporate concept. This research is based on the following objectives:

1. To understand the concept is the value added reporting.
2. To evaluate Social Performance of the selected corporate units with value added accounting and value added ratios then analyze how value added reporting is better way rather than traditional method of reporting.
3. Other objectives of the study are mentioned below:
   a. To process the Gross Value Added (GVA) of the selected corporate units.
   b. To study the Net Value Added (NVA) of the selected corporate units.
   c. To evaluate the generation of value added.
   d. To analyze the application of value added reporting through performance and social responsibility towards Employee, Government provides of capital and shareholders (Owners).

**RESEARCH DESIGN:**

Research design is the conceptual structure within which research is conducted; it is the plan for data collection, measurement and analysis. Therefore, the project includes a synthesis of what the research will do from the drafting of the hypothesis and its operational implications to the final analysis of the data, so that the research project can be defined as a strategic plan and a structure of an investigation to find alternative tools to solve the problem and minimize variations.

**POPULATION OF THE STUDY:**

Study universe indicates the total number of populations for the study area. For the study, all companies that work in an economy will be the universe of study.

**SAMPLE OF THE STUDY:**

For this research paper, the researcher has collected data on the company annual report above the number of the company the researcher discovered that the basis of the research is broad. Therefore it is very difficult to compare it with low performing companies in this sector. Researcher has a total two companies were selected, which are the following.

1. **AMBUJA CEMENT**
2. **SANGHI CEMENT**

**PERIOD OF THE STUDY:**

The present study is made for a period of the four accounting year stating from 2013 to 2016.

**SOURCE OF DATA:**

Data collection is very important task for the researcher. This study is based on the secondary data taken from published annual reports of selected companies AMBUJA CEMENT LTD. AND
SANGHI CEMENT LTD. and other information related to companies has taken from official websites and net sources.

1. Annual reports of AMBUJA CEMENT LTD for the four years from 2013 to 2016.
2. Annual reports of SANGHI CEMENT LTD for the four years from 2013 to 2016.

FRAMEWORK OF ANALYSIS:

The objective of the study is to analyze the financial performance of the cement industry in India. For the measuring the financial performance researcher has used value added statement to measure the performance of the selected cement industry in India. The researcher has used for the analysis for the financial performance of cement industry various ratio used like Net Value Added to Total Value Added Ratio, Employees Benefit to Net Value Added Ratio, Government Share to Net Value Added Ratio and Retained Earnings to Net Value Added Ratio.

VALUE ADDED CONCEPT IN INDIA:

The Companies Act 1956 does not require a company to furnish information about Value Added in corporate report. However, companies in both private and public sectors present the Value Added Statement along with the Profit & Loss Account and Balance Sheet in their corporate reports. A few progressive companies in India like SAIL, MNTC, CRL, PBCL, BHEL, CCI etc., in public sector and Indian Rayon, Infosys Technologies Ltd., Britannia Industries Ltd., Escorts Ltd., Global Telesystem Ltd. etc., in private sector, are producing value added statements along with their traditional financial statements in their annual financial reports.

DATA ANALYSIS AND INTERPRETATION:

Here, for the analysis of data researcher has used various ratio related to value added. Generally in value added statement we can show the Generation of value added and Application of value added. The major Value Added ratios are as follows:

1. Gross Value Added to Total Value Added Ratio
2. Net Value Added to Total Value Added Ratio
3. Employees benefit to Total Value Added Ratio
4. Government Share to Total Value Added Ratio

GROSS VALUE ADDED TO TOTAL REVENUE RATIO:

The proportion of gross Value Added to Total Revenue shows the relationship between above shown two items which reflects that how much percentage of Total Revenues consist of value generated by the concern meaning there by the remaining percentage that is: Total revenue – Gross Value Added, is contributed by the outside parties. It is must to say that a higher proportion of Gross Value Added in Total Revenue will be considered good and will show better social performance. It will also show the utility added by the concern in the total efforts of the organization and related parties. It may be calculated with the help of following formula.

\[
\text{Gross Value Added to Total Revenue Ratio} = \frac{\text{Gross Value Added}}{\text{Total revenue}} \times 100
\]

Here,
1. Gross Value Added (GVA) is taken.
2. Total Revenue includes Sales (including Excise Duty) and other income of the company

The Gross Value Added to Total Revenue in Ambuja Cement and Sanghi Cement. Under study have been analyzed and calculated for the study period which has been represented in Table – 1 given below.
The above table shows the gross value added to total revenue ratio for the year 2013 to 2016 in units under study. The ratio was lowest in Sanghi Cement in 2015. The ratio was highest of 30.59 in Sanghi Cement during the year 2013. The average ratio was 27.09 in Ambuja cement and 26.45 in Sanghi Cement. This shows this ratio was higher in Ambuja Cement. Hence, performance of Ambuja Cement was good from the view point of this ratio. In Ambuja Cement during 2013 and 2015 this ratio was lower than the average during the study period. In Sanghi Cement during last two years this ratio was below than the average.

**NET VALUE ADDED TO TOTAL REVENUE RATIO:**

This ratio shows the relationship between net Value Added and Total Revenue. It may be said that a higher proportion of Net Value Added in Total Revenue will be considered good and will show better social performance. It can be calculated by dividing the Net Value Added by the amount of Total Revenue. It may be expressed in the shape of formula as follows.

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\]

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The table shows the net value added to total revenue ratio for the year 2013 to 2016 in units under study. The ratio was lowest in Sanghi Cement in 2015. The ratio was highest of 25.21 in Ambuja Cement during the year 2014. The average ratio was 20.93 in Ambuja cement and 17.44 in Sanghi Cement. This shows this ratio was higher in Ambuja Cement. Hence, performance of Ambuja Cement was average from the view point of this ratio. In Ambuja Cement during 2013 and 2015 this ratio was lower than the average during the study period. In Sanghi Cement during last two years this ratio was below than the average.

**HYPOTHESIS TESTING (T-TEST):**

- **H0** = There is no significance difference in the performance of Ambuja and Sanghi Cement in Net Value Added to Total Value Added Ratio. ($\mu_1 = \mu_2$)
- **H1** = There is significance difference in the performance of Ambuja and Sanghi Cement in Net Value Added to Total Value Added Ratio. ($\mu_1 \neq \mu_2$)

**Table no.3 T – Test Net Value Added to Total Revenue Ratio Two – Sample Assuming Equal variances**

<table>
<thead>
<tr>
<th>Particular</th>
<th>Ambuja</th>
<th>Sanghi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>20.93</td>
<td>17.44</td>
</tr>
<tr>
<td>Variance</td>
<td>8.54</td>
<td>2.14</td>
</tr>
<tr>
<td>Observations</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Hypothesized Mean Difference</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Df</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>P(T&lt;=t) two-tail</td>
<td>0.04</td>
<td></td>
</tr>
<tr>
<td>T critical two-tail</td>
<td>3.18</td>
<td></td>
</tr>
</tbody>
</table>

(at 0.05% level of Significance)

The Calculated Value of Net Value Added to Total Value Added Ratio 0.04 is Lower than the table value 3.18. Therefore, Null Hypothesis (H0) is Accepted. Hence, it is inferred that there is a no significant difference between the performance of Ambuja and Sanghi Cement in terms of Net Value Added to Total Value Added Ratio.

**MAJOR FINDINGS:**

According to the data analysis. The major findings are as under:

1. The Average Gross Value Added to Total Revenue Ratio of Ambuja Cement is 27.09 and Sanghi Cement is 26.45, which is more than 0.64 of Sanghi Cement. It means that Ambuja Cement’s performance is better than of Sanghi Cement.

2. The Average Net Value Added to Total Revenue Ratio of Ambuja Cement is 20.93 and Sanghi Cement is 17.44, which is the more than 3.49 of Sanghi Cement. It means that Ambuja Cement’s performance is better than of Sanghi Cement.
3. The Average Employees Benefit to Net Value Added Ratio of Ambuja Cement is 27.73 and Sanghi Cement is 25.52, which is more than 2.21 of Sanghi Cement.

4. The Average Government Share to Net Value Added Ratio of Ambuja Cement is 14.34 and Sanghi Cement is 21.52, which is higher than Ambuja Cement.

5. The Average Payment to Shareholders to Net Value Added Ratio of Ambuja Cement is 30.34.

6. The Average Payment to Lenders to Net Value Added Ratio of Ambuja Cement is 2.15 and Sanghi Cement is 45.66, which is higher by 43.51 of Ambuja Cement.

7. The Average Retained Earnings to Net Value Added Ratio of Ambuja Cement is 54.82 and Sanghi Cement is 21.57, which is higher by 33.25 of Sanghi Cement.

**CONCLUSION:**

The study has aimed to analyze the performance of the selected cement industry in India. For the measure of the performance researcher has used to various ratios like Net Value Added to Total Value Added Ratio, Employees Benefit to Net Value Added Ratio, Government Share to Net Value Added Ratio and Retained Earnings to Net Value Added Ratio to find out the performance of the selected cement company.

**LIMITATION OF THE STUDY:**

Limitation of the study is as follows:

1. This research work is a micro nature research based in the samples selected two corporate units.

2. This study is based on secondary data derived from published annual reports of the selected units. The reliability and finding are contingent. Upon the data published in annual report.

3. This research work is based on the 4 years financial performance of the sample selected corporate units from 2013 to 2016.

4. The present study is based on value added statement and value added has its own limitation which also applied to this study.

**SUGGESTIONS FOR FURTHER RESEARCH:**

The scope of the present study is limited to the evaluation of the Cement industry using various segments. The study covers only some accounting ratio based on various Value added ratio.

1. Generation of value added is increase year to year. In this given case companies cost of material and miscellaneous expenses is more so company will ended less profit during the period of study both the companies paid to tax of government net value added is less.

2. Company payment to shareholders to net value added ratio is less because company paid dividend to shareholder is less so company's profit received lower.

3. Finance cost is more so company get benefits of taxation lower during the year.

4. Company can improve their profit through the tax benefits.

5. Company payment to employee benefits is more so companies can decrease through costing method of material, labour and all costing method through.
REFERENCES


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