Profitability Analysis of Cement Companies in Telangana – A Study of Select Units

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ABSTRACT

For a company to survive in today's scenario, it must attain profits. It is analogous to blood in a human being. Business is lifeless without profits. Profit is the extra of salary ended spending incurred during a define period of time. In accounting parlance it is determined by take away the expenses sustained from the revenue received in a specific period of time. Profits can be made by both operating and non-operating activities. The efficiency and effectiveness of the management can be judged by the profits it made during a period of time. In any business concern, Investments can be attracted by the effective performance of the business. The effective and efficient performance is very vital for the survival of the business. The performance is reliant on several factors such as cost, revenue (which in turn depends on price), sales, profits etc. The performance of Cement Industry is to be analysed to attract the investment and to develop the industry since it is the backbone of the infrastructure development. Performance analysis can be studied in terms of financial, marketing, sales, production aspects, etc. In this paper an effort has been made to analyse the presentation of two select cement companies in Telangana i.e. Kesoram Cements and Deccan Cements. It also highlights the Du Pont model evaluation.

Key Words: Gross Profit, Net Profit, DuPont Model, Return on Assets, Return on Capital employed

I. INTRODUCTION

Performance Analysis is the process of detailed examination of the different elements of the company. Every company needs to analyze its performance to decide whether to continue in the same business or not. There are various performance analytical tools to measure the effectiveness of the firm. The performance analysis can be measured in terms of finance, operations, human resource, marketing and many more others.

According to Frich Kohlar “The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like.”

Financial Performance Analysis

Financial performance can be well-defined as the process of performing financial activities. It is also defined as the extent to which the financial activities have been accomplished. The firm's activities will be measured in monetary terms using financial performance analysis. This is done so because to understand the overall financial status of the company over a period and also to compare with other companies in the same industry and also with other industries in the economy.

Every company will publish their financial statements in fixed period intervals as per the Companies Act which is the main source of information for different stakeholders of the company like shareholders, customers, suppliers, creditors, government and public. The stakeholders of the company will be absorbed to identify about the financial position of the company for various reasons.

II. REVIEW OF LITERATURE

- Devi. M. and Mugunthan (2017) , in their study concluded that the efficiency of any company mainly depend on its working operations. They also concluded that the financial position of the companies they have selected for their study was satisfactory.
- According to Sandip Kumar (2017) , for the company under study, the current ratio and quick ratio are negatively correlated with return on total assets and return on equity due to the fluctuations in money of capital and under utilisation of fixed assets in addition to the fluctuations in amount of depreciation/ amortization of fixed assets. The utilization of current assets through the company was optimum and the company was also efficient in managing working capital.
- Pankaj Yadav (2017) , in his study concluded that the selected companies were fairly doing well with respect to the profitability and Ultratech Cement, Shree Cement, ACC, and Ambuja Cement companies were the top performers in the period of the study.
- According to Hemalatha and Kamalavalli (2018) the performance of all the companies is satisfactory and if the companies can improve their operational performance, they can sustain or enhance their profitability. In the study the researchers found that Gross Profit Ratio and Net Profit Ratio are positively associated with Return on Assets. Gross Profit Ratio, Net Profit Ratio and Operating Profit Ratio positively correlated with Return on Equity.
- M. Ganesan and A. Saravanakumar (2018) have concluded that technological and financial model changes are important factors which decide the growth of the cement companies.

III. OBJECTIVES OF THE STUDY

- Devi. M. and Mugunthan.C. “A Study on Financial Performance of Cement Companies in India with Reference to Ultratech Cement Limited and India Cement Limited - A Comparative Analysis”, Aayvagam an International Journal of Multidisciplinary Research, Volume 5, Issue 2, 2017, Page No. 70-72.
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- Hemalatha. S. and Kamalavalli.A.L., “Profitability Analysis of Cement Companies in India” , International Journal of Current research and Modern Education, Volume 3 , Issue 1 , Page No 303-308, 2018

- Ganesan.M. and Saravanakumar.A., “Working Capital Analysis of Selected Cement Companies in India- An Annual Growth Analysis”, International Journal of Research in Management, Economics and Commerce, Volume 08, Issue 1, 2018, Page 115-118
- Keeping the earlier studies in mind, it is felt that there is need to study the profitability of the Cement companies in Telangana State. Hence a modest effort has been made to analyse the presentation of select Cement companies in Telangana State using profitability ratios.

IV. METHODOLOGY

Sample Unit: The cement companies selected for the study are Kesoram Cements and Deccan Cements which are the leading and companies located in Telangana State.

Period of Study: For this purpose a period from 2007-08 to 2016-17 is considered

Tools used: To analyse the performance the following tools (Ratios) were adopted

1. Gross Profit Margin
2. Operating Profit Margin
3. Pre Tax Profit Margin
4. Net Profit Margin
5. Return on Assets
6. Return on Capital Employed

V. DATA ANALYSIS & INTERPRETATION

Gross Profit Margin

Gross profit ratio (GP ratio) is a profitability ratio that displays the association among gross profit and entire net sales revenue. The ratio thus imitates the margin of earnings that a distress is able to receive on its trading and manufacturing action. It is a popular instrument to assess the working presentation of the occupational. It is the commonly calculated ratio. It is working for inter-firm and inter-firm link of trading results.

Following formula is used to calculate Gross Profit Ratio (GP Ratio):

$$\text{Gross Profit Ratio} = \frac{\text{Gross profit}}{\text{Net sales .}} \times 100$$

The gross profit margin of Deccan cements and Kesoram cements is calculated and presented in Table.1.

The data in Table 1 displays that the gross profit margin of Deccan Cements varies from 53.46 per cent to 66.43 per cent. The gross profit margin of Deccan Cements was low in the year 2009-10 with 53.46 per cent and high in the year 2016-17 with 66.43 per cent during the period of study. During the period of study the average gross profit margin was recorded as 60.37 per cent. In the period of study the compound annual growth rate of gross profit is 11 per cent compared to 10.19 compound annual growth rate for sales revenue. During the period of study, in the last five years the gross profit margin is increasing which is a good sign for the company.

It is further observed that gross profit margin of Kesoram Cements is in the range from 33.75 per cent to 71.08 per cent. The gross profit margin of Kesoram Cement was as low as 33.75 per cent in the year 2010-11 and as high as 71.08 in the year 2016-17. During the period of study the average gross profit margin was recorded as 54.70 per cent. In the period of study the compound annual growth rate of gross profit is -18.20 per cent compared to 2.54 compound annual growth rate for sales revenue. During the period of study, in the last seven years the gross profit margin is increasing which is a good sign for the company.

The gross profit margin of Deccan Cements is satisfactory compared to Kesoram Cements.

Table 1 Gross Profit Margin

(Amount in Rs. Lakhs)

Year	Deccan cements			Kesoram cements		
	Gross profit	Sales revenue	Gross profit margin	Gross profit	Sales revenue	Gross profit margin
2007-08	13094.17	21225.11	61.69	198707.09	302816.38	65.62
2008-09	11460.63 (-12348)	18703.52 (-11.88)	61.28	237436.38	395366.19 (30.56)	60.05
2009-10	15983.38 (39.46)	29897.61 (59.85)	53.46	200490.67	486136.96 (22.96)	41.24
2010-11	20168.11 (26.18)	34319.06 (14.79)	58.77	187642.57 (-6.41)	555905.07 (14.35)	33.75
2011-12	30899.10 (53.21)	51327.73 (49.56)	60.20	26357 (40.56)	600486 (8.02)	43.92
2012-13	28688.50 (-7.15)	50212.33 (-2.17)	57.13	304814 (15.57)	584186 (-2.71)	52.18
2013-14	22509.32 (-21.54)	39338.95 (-21.65)	57.22	283625 (-6.95)	520545 (-10.89)	54.49
2014-15	27098.48 (20.39)	44065.30 (12.01)	61.50	290876 (2.56)	493912 (5.12)	58.89
2015-16	38310.71 (41.38)	58055.03 (31.75)	65.99	277447 (-4.62)	421757 (-14.61)	65.78
2016-17	37190.30 (-2.92)	55986.27 (-3.56)	66.43	26638 (-7.72)	389196 (-7.72)	71.08
CAGR (in %)	11.00	10.19		-18.20	2.54	54.70
Average			60.37			54.70

Source: Annual Report of Companies

Note: The value in the parentheses represent annual growth rate in per cent

Operating Profit Margin

Operating Profit is profitability ratio that displays association among operating profit and total net sales revenue. It therefore reflects the margin of profit that a company is able to make from its main operations before paying tax and interest. This ratio does not consider the profit earned from company's investment activities.

Following formula is used to calculate Operating Profit Ratio:

$$\text{Operating Profit Ratio} = \frac{\text{Operating profit}}{\text{Net sales}} \times 100$$

The operating profit margin of Deccan cements and Kesoram cements is worked and presented in Table.2.

Table 2 Operating Profit Margin

(Amount in Rs. Lakhs)

Year	Deccan cements			Kesoram cements		
	Operating profit	Sales revenue	Operating profit margin	Operating profit	Sales revenue	Operating profit margin
2007-08	7369.59	21225.11	34.72	60658.94	302816.38	20.03
2008-09	5987.88 (-18.75)	18703.52 (-11.88)	32.01	52998.65 (-12.63)	395366.19 (30.56)	13.40
2009-10	5291.13 (-11.63)	29897.61 (59.85)	17.70	58452.56 (10.29)	486136.96 (22.96)	12.02
2010-11	4313.73 (-18.48)	34319.06 (14.79)	12.57	8748.01 (-85.03)	555905.07 (14.35)	1.57
2011-12	9239.38 (114.19)	51327.73 (49.56)	18.00	-1392 (-115.91)	600486.00 (8.02)	-0.23
2012-13	4214.41 (-54.39)	50212.33 (-2.17)	8.39	44310 (3283.19)	584186 (-2.71)	7.58
2013-14	3420.80 (-18.83)	39338.95 (-21.65)	8.70	41063 (-7.33)	520545 (-10.89)	7.89
2014-15	4454.15 (30.21)	44065.30 (12.01)	10.11	18160 (-55.78)	493912 (-5.12)	3.68
2015-16	9414.33 (111.36)	58055.03 (31.75)	16.22	-16530 (-191.02)	421757 (-14.61)	-3.92
2016-17	7896.63 (-16.12)	55986.27 (-3.56)	14.10	13480 (181.55)	389196 (-7.72)	3.46
CAGR (in %)	0.69	10.19		-13.96	2.54	
Average			17.25			6.55

Source: Annual Reports of Companies

Note: The value in the parentheses represent annual growth rate in per cent

The data in Table 2 reveals that the operating profit margin of Deccan Cements varies from 8.39 per cent to 34.72 per cent. The operating profit margin of Deccan Cements was low in the year 2012-13 with 8.39 per cent and high in the year 2007-08 with 34.72 per cent during the period of study. Under the period of study the average operating profit margin was recorded as 17.25 per cent. In the period of study the compound annual growth rate of operating profit is 0.69 per cent compared to 10.19 compound annual growth rate for sales revenue. During the period of study, in the last five years the operating profit margin is increasing which is a good sign for the company.

It is further observed that operating profit margin of Kesoram Cements is in the range from -3.92 per cent to 20.03 per cent. The operating profit margin of Kesoram Cement was as low as -3.92 per cent in the year 2015-16 and as high as 20.03 in the year 2007-08. During the period of study the average operating profit margin was recorded as 6.55 per cent. In the period of study the compound annual growth rate of operating profit is -13.96 per cent compared to 2.54 compound annual growth rate for sales revenue. Under the period of study the operating profit margin is fluctuating.

The operating profit margin of Deccan Cements is satisfactory compared to Kesoram Cements.

Pre-tax profit margin

Pre-tax profit ratio is a profitability ratio that displays the connection among pre-tax profit and total net sales revenue. The ratio thus imitates the margin of profit that a concern is able to make after paying manufacturing expenses and other expenses including interest but before paying tax.. It is a popular tool to evaluate the operational performance of the business.

Following formula is used to calculate Pre-tax Profit Ratio:

$$\text{Pre-tax Profit Ratio} = \frac{\text{Pre-Tax profit}}{\text{Net sales}} \times 100$$

The pre-tax profit margin of Deccan cements and Kesoram cements is computed and presented in Table.3.

Table 3 Pre-Tax Profit Margin

(Amount in Rs. Lakhs)

Year	Deccan cements			Kesoram cements		
	Pre-tax profit	Sales revenue	Pre-tax profit margin	Pre-tax profit	Sales revenue	Pre-tax profit margin
2007-08	7311.90	21225.11	34.45	55253.20	302816.38	18.25
2008-09	3422.98 (-53.19)	18703.52 (-11.88)	18.30	40911.43 (-25.96)	395366.19 (30.56)	10.35
2009-10	1887.96 (-44.84)	29897.61 (59.85)	6.31	47549.43 (16.23)	486136.96 (22.96)	9.78
2010-11	558.75 (-70.40)	34319.06 (14.79)	1.63	-15234.45 (-132.04)	555905.07 (14.35)	-2.74
2011-12	5381.23 (863.08)	51327.73 (49.56)	10.48	-71025 (-366.21)	600486.00 (8.02)	-11.83
2012-13	1258.71 (-76.61)	50212.33 (-2.17)	2.51	-37719 (46.89)	584186 (-2.71)	-6.46
2013-14	764.55 (-39.26)	39338.95 (-21.65)	1.94	-48030 (-27.34)	520545 (-10.89)	-9.23
2014-15	2134.25 (179.15)	44065.30 (12.01)	4.84	-36668 (23.66)	493912 (-5.12)	-7.42
2015-16	8057.29 (277.52)	58055.03 (31.75)	13.88	-20979 (42.79)	421757 (-14.61)	-4.97
2016-17	7325.05 (-9.09)	55986.27 (-3.56)	13.08	-12180 (41.94)	389196 (-7.72)	-3.13
CAGR (in %)	0.02	10.19		-14.03	2.54	
Average			10.74			-0.74

Source: Annual Reports of Companies

Note: The value in the parentheses represent annual growth rate in per cent

The data in Table 3 highlights that the pre-tax profit margin of Deccan Cements varies from 1.63 per cent to 34.45 per cent. The pre-tax profit margin of Deccan Cements was low in the year 2010-11 with 1.63 per cent and high in the year 2007-08 with 34.45 per cent during the period of study. During the period of study the average pre-tax profit margin was recorded as 10.74 per cent. In the period of study the compound annual growth rate of pre-tax profit is 0.02 per cent compared to 10.19 compound annual growth rate for sales revenue. During the period of study, in the last four years the pre-tax profit margin is increasing which is a healthy symptom for the company.

It is further observed that pre-tax profit margin of Kesoram Cements is in the range from -11.83 per cent to 18.25 per cent. The pre-tax profit margin of Kesoram Cement was as low as -11.83 per cent in the year 2011-12 and as high as 18.25 in the year 2007-08. During the period of study the average pre-tax profit margin was recorded as -0.74 per cent. In the period of study the compound annual growth

rate of pre-tax profit is -14.03 per cent compared to 2.54 compound annual growth rate for sales revenue. During the period of study in the last four years the pre-tax profit margin is increasing which is a good symptom for the company.

The pre-tax profit margin of Deccan Cements is satisfactory compared to Kesoram Cements.

Net Profit Margin

Net profit ratio is a profitability ratio that displays the association between net profit and total net sales revenue. The ratio thus imitates the margin of profit that an anxiety is able to receive after paying all the costs incurred. It is a popular tool to evaluate the performance of the business. It is the high usually calculated ratio. It is employed for inter-firm and inter-firm comparison of trading results.

Following formula is used to calculate Net Profit Ratio

$$\text{Net Profit Ratio} = \frac{\text{Net profit}}{\text{Net sales}} \times 100$$

The data in Table 4 reveals that the net profit margin of Deccan Cements varies from 0.58 per cent to 22.60 per cent. The net profit margin of Deccan Cements was low in the year 2010-11 with 0.58 per cent and high in the year 2007-08 with 22.60 per cent during the period of study. Under the period of study the average net profit margin was recorded as 7.57 per cent. In the period of study the compound annual growth rate of net profit is -0.29 per cent compared to 10.19 compound annual growth rate for sales revenue. During the period of study, in the last four years the net profit margin is increasing which is a healthy symptom for the company.

It is further observed that net profit margin of Kesoram Cements is in the range from -9.90 per cent to 12.66 per cent. The net profit margin of Kesoram Cement was as low as -9.90 per cent in the year 2013-14 and as high as 12.66 in the year 2007-08. During the period of study the average net profit margin was recorded as -0.59 per cent. In the period of study the compound annual growth rate of net profit is -10.66 per cent compared to 2.54 compound annual growth rate for sales revenue.

The net profit margin of Deccan Cements is satisfactory compared to Kesoram Cements.

Table 4 Net Profit Margin

(Amount in Rs. Lakhs)

Year	Deccan cements			Kesoram cements		
	Net Profit	Sales revenue	Net profit margin	Net Profit	Sales revenue	Net profit margin
2007-08	4796.59	21225.11	22.6	38335.04	302816.38	12.66
2008-09	3422.98 (-28.64)	18703.52 (-11.88)	18.3	37874.10 (-1.20)	395366.19 (30.56)	9.58
2009-10	434.00 (-87.32)	29897.61 (59.85)	1.45	23733.74 (-37.34)	486136.96 (22.96)	4.88
2010-11	199.30 (-54.8)	34319.06 (14.79)	0.58	- 21021.24	555905.07 (14.35)	-3.78
2011-12	4776.27 (2296.52)	51327.73 (49.56)	9.31	-37974 (-80.65)	600486.00 (8.02)	-6.32
2012-13	731.32 (-84.69)	50212.33 (-2.17)	1.46	-32923 (13.30)	584186 (-2.71)	-5.64
2013-14	502.35 (-31.31)	39338.95 (-21.65)	1.28	-51555 (-56.59)	520545 (-10.89)	-9.90
2014-15	1987.89 (295.72)	44065.30 (12.01)	4.51	-36668 (28.88)	493912 (-5.12)	-7.42
2015-16	4556.25 (129.20)	58055.03 (31.75)	7.85	13712 (137.40)	421757 (-14.61)	3.25

2016-17	4659.70 (2.27)	55986.27 (-3.56)	8.32	-12413 (-190.53)	389196 (-7.72)	-3.09
CAGR (in %)	-0.29	10.19		-10.66	2.54	
Average			7.57			-0.59

Source: Annual Reports of Companies

Note: The value in the parentheses represent annual growth rate in per cent

Table 5 Dupont Model For Return On Assets For Deccan Cements

Year	Sales	Total assets	Net profit	Asset turnover ratio	Net profit ratio	Return on total assets ratio	Return on total assets Dupont model
2007-08	19104.84	31935.66	4796.59	0.5982	0.2511	0.1502	0.1502
2008-09	18703.52	52909.66	3422.98	0.3535	0.1830	0.0647	0.0647
2009-10	29897.61	54911.98	434.00	0.5445	0.0145	0.0079	0.0079
2010-11	34319.06	59840.86	199.31	0.5735	0.0058	0.0033	0.0033
2011-12	51327.73	61271.15	4776.27	0.8377	0.0931	0.0780	0.0780
2012-13	50212.33	57557.02	731.32	0.8724	0.0146	0.0127	0.0127
2013-14	39338.95	58793.23	502.35	0.6691	0.0128	0.0085	0.0085
2014-15	44065.30	54984.73	1987.89	0.8014	0.0451	0.0362	0.0362
2015-16	58055.03	49265.33	4556.25	1.17484	0.0785	0.0925	0.0925
2016-17	55986.27	55397.9	4659.70	1.0106	0.0832	0.0841	0.0841

Source: Annual Reports of Companies

Table 6 Dupont Model For Return On Assets For Kesoram Cements

Year	Sales	Total assets	Net profit	Asset turnover ratio	Net profit ratio	Return on total assets ratio	Return on total assets Dupont model
2007-08	302816.38	297293.4	38335.04	1.0186	0.1266	0.1289	0.1289
2008-09	395366.19	430657.03	37874.1	0.9181	0.0958	0.0879	0.0879
2009-10	486136.96	520959.82	23733.74	0.9332	0.0488	0.0456	0.0456
2010-11	555950.07	568595.06	-21021.24	0.9778	-0.0378	-0.0370	-0.0370
2011-12	600486	652271	-37974	0.9206	-0.0632	-0.0582	-0.0582
2012-13	584186	647390	-32923	0.9024	-0.0564	-0.0509	-0.0509
2013-14	520545	623238	-51555	0.8352	-0.0990	-0.0827	-0.0827
2014-15	493912	612856	-36668	0.8059	-0.0742	-0.0598	-0.0598
2015-16	421757	663786	13712	0.6354	0.0325	0.0207	0.0207
2016-17	389196	466688	-12413	0.8340	-0.0319	-0.0266	-0.0266

Source: Annual Reports of Companies

The data in Table 5 and 6 indicates the data pertaining to the return on assets as per the formula and DuPont model

$$\text{Return on Assets} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

As per Du Pont model this ratio has two elements

- Profitability on sales as reflected in the net profit ratio and
- Profitability of assets which is revealed by the assets/ investment turnover.

As per Du Pont Model Return on Assets = Net Profit Ratio x Assets Turnover Ratio

$$\text{Net Profit ratio} = \frac{\text{Net Profit}}{\text{Sales Revenue.}}$$

$$\text{Assets Turnover ratio} = \frac{\text{Sales Revenue}}{\text{Total Assets}}$$

Deccan Cements

- The Net Profit ratio was high in the year 2007-08 with 0.2511 and low in the year 2010-11 with 0.0058.
- The Assets turnover ratio was high in the year 2015-16 with 1.1748 and low in the year 2008-09 with 0.3535.
- The Return on Asset Ratio was high in the year 2007-08 with 0.1502 and low in the year 2010 -11 with 0.0033.

Kesoram Cements:

- The Net Profit ratio was high in the year 2007-08 with 0.1266 and low in the year 2013-14 with - 0.0990.
- The Assets turnover ratio was high in the year 2007-08 with 1.0186 and low in the year 2015-16 with 0.6354.
- The Return on Asset Ratio was high in the year 2007-08 with 0.1289 and low in the year 2013 -14 with -0.0827.

Table 7 Dupont Model For Return On Capital Employed For Deccan Cements

Year	Sales	Net profit	Capital employed	Capital turnover ratio	Net profit ratio	Return on capital employed ratio	Return on capital employed Dupont model
2007-08	19104.84	4796.59	31890.28	0.5911	0.2511	0.1504	0.1504
2008-09	18703.52	3422.98	52686.90	0.3550	0.1830	0.0650	0.0650
2009-10	29897.61	434.00	54911.98	0.5445	0.0145	0.0079	0.0079
2010-11	34319.06	199.31	50149.30	0.6483	0.0058	0.0040	0.0040
2011-12	51327.73	4776.27	50008.49	1.0264	0.0931	0.0955	0.0955
2012-13	50212.33	731.32	49584.34	1.0127	0.0146	0.0147	0.0147
2013-14	39338.95	502.35	49544.00	0.7940	0.0128	0.0101	0.0101
2014-15	44065.30	1987.89	44204.67	0.9968	0.0451	0.0450	0.0450
2015-16	58055.03	4556.25	41904.29	1.3854	0.0785	0.1087	0.1087
2016-17	55986.27	4659.70	46530.15	1.2032	0.0832	0.1001	0.1001

Source: Annual Reports of Companies

Table 8 Dupont Model for Return on Capital Employed for Kesoram Cements

Year	Sales	Net profit	Capital employed	Capital turnover ratio	Net profit ratio	Return on capital employed ratio	Return on capital employed Dupont model
2007-08	302816.38	38335.04	98192.1	3.0839	0.1266	0.3904	0.3904
2008-09	395366.19	37874.1	133010.49	2.9724	0.0958	0.2847	0.2848
2009-10	486136.96	23733.74	515816.45	0.9425	0.0488	0.0460	0.0460
2010-11	555950.07	-21021	562013.52	0.9892	-0.0378	-0.0374	-0.0374
2011-12	600486	-37974	372799	1.6108	-0.0632	-0.1019	-0.1018
2012-13	584186	-32923	335463	1.7414	-0.0564	-0.0981	-0.0982
2013-14	520545	-51555	302056	1.7233	-0.099	-0.1707	-0.1706
2014-15	493912	-36668	345197	1.4308	-0.0742	-0.1062	-0.1062
2015-16	421757	13712	384718	1.0963	0.0325	0.0356	0.0356
2016-17	389196	-12413	273279	1.4242	-0.0319	-0.0454	-0.0454

Source: Annual Reports of Companies

The data in Table 7 and 8 shows the data pertaining to the return on capital working as per the formula and Du Pont model. Return on Capital Employed calculates the complete efficiency of organization in generating profits with its capital employed.

$$\text{Return on Capital Employed} = \frac{\text{Net Profit}}{\text{Total Capital Employed}}$$

As per Du Pont model this ratio has two elements

- Profitability on sales as reflected in the net profit ratio and
- Profitability of assets which is revealed by the assets/ investment turnover.

As per Du Pont Model Return on Assets = Net Profit Ratio x Capital Turnover Ratio

$$\text{Net Profit ratio} = \frac{\text{Net Profit}}{\text{Sales Revenue.}}$$

$$\text{Capital Turnover ratio} = \frac{\text{Sales Revenue}}{\text{Total Capital Employed}}$$

Deccan Cements

- The Net Profit ratio were high in the year 2007-08 with 0.2511 and low in the year 2010-11 with 0.0058.
- The Capital turnover ratio was high in the year 2015-16 with 1.3854 and low in the year 2008-09 with 0.3550.
- The Return on Capital Employed Ratio was high in the year 2007-08 with 0.1504 and low in the year 2010 -11 with 0.0040.

Kesoram Cements

- The Net Profit ratio was high in the year 2007-08 with 0.1266 and low in the year 2013-14 with -0.0990.
- The Capital turnover ratio was high in the year 2012-13 with 1.7414 and low in the year 2009-10 with 0.9425.
- The Return on Capital Employed Ratio was high in the year 2007-08 with 0.3904 and low in the year 2013 -14 with -0.1707.

VI. CONCLUSION

From the present study it is clear that the performance of Deccan Cements is doing well when compared to Kesoram Cements in terms of profits like gross profit, operating profit, pretax profit and net profit during the years 2007-08 to 2016-17. During the period of study Kesoram Cements suffered losses whereas Deccan Cements enjoyed profits. It can be also observed that in terms of Gross, Profit exits in Kesoram Cements but the company incurred net loss due to the presence of high volume of indirect expenses. Hence, the company needs to concentrate on this factor to achieve net profits.

Both the companies are selling at lower margins but are able to sell at higher volumes which can be clearly seen in the fact that in both the companies the asset turnover ratio is more compared to net profit ratio.

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