



Comparative study of J.K. Cement Limited and Ultratech Cement Limited

Dr. M Yasodha¹, M Shobana², R Ragavivarthini³, B Tharunika⁴

¹ Assistant Professor, P.S.G.R. Krishnammal College for Women, Tamil Nadu, India

²⁻⁴ Department of B.Com Professional Accounting, P.S.G.R. Krishnammal College for Women, Tamil Nadu, India

Abstract

A comparative study on the financial performance of JKCL and UTCL is done for the period of three years (2015-16 to 2017-18). A comparative statement that collates a particular financial statement with prior period items or with the same period financial statement generated by other firm. The process reveals trends in financials and compares one company's performance with another business. The research design of the study is descriptive research and secondary data was collected for the purpose of the study. Based on the literature review provided by different authors, we highlighted the usefulness of comparative balance sheet. The suggestions are made on the items of the balance sheet which provides the useful information for both the management and the stakeholders.

Keywords: financial statement, comparative financial statement, stakeholders

Introduction

The cement industry in India placed its footstep in the 1900's. Indian cement industry is the second largest market after China. JKCL is an affiliate of the multi-disciplinary industrial conglomerate JK Organisation which was founded by Lela Kamlapat Singhania. For over four decades, JK has partnered India's multi-sectoral infrastructure needs on the strength of its product excellence, customer orientation and technology leadership. The Company has over four decades of experience in cement manufacturing. UTCL is the largest manufacturer of grey cement, Ready Mix Concrete (RMC) and white cement in India. It is also one of the leading cement producers globally. Ultra Tech as a brand embodies 'strength', 'reliability' and 'innovation'.

Statement of the Problem

The main motive of the companies i.e., to reduce the cost of production and to increase the profit earning capacity of the company. We took cement industry as the base for financial analysis. This sector faces the problem such as, in India, unavailability of quality lime stone in different regions of country. The problems also included non-availability of main raw material, working capital, shortage of power, shortage of coal, low quality of furnaces, and interstate distribution of cement. This has an adverse impact on the cost of producing cement.

Scope of the study

This study finds out the areas where JKCL and UTCL can improve the cash flow activities of the companies.

- Providing information to investors, promoter, and debt provider about the financial performance.
- The study of financial performance will help the management in decision making process. The concern is to understand its own position in future.

Objective of the study

- To study the absolute data in terms of percentage

Research Methodology

Methodology is a way to systematically solve the research problem. It explains the various steps that are generally adopted by a researcher in studying the research problem.

Area and period of the Study

A comparative study on the financial performance of JKCL and UTCL for three years 2015-16 to 2017-18.

Source of data collection

Data used in this study are from secondary sources like published annual reports, records of the company, journal and magazines.

Tools and techniques

- Comparative Balance Sheet

Limitation of the study

- The period of study is limited to five years and the study is mainly based on the source of annual report of the company.
- This study analyse the last five years financial performance and as a result to estimate the performance of the fourth coming years.

Review of literature

1. Acaln Omag (2016) ^[1] showed the evidence from the automotive industry of cash flow statement. Consolidated financial statement has some disadvantages with respect to financial analysis which are non-reliable. The author says that the company needs to improve short and long term borrowings, repayment ability with the banking

system as well as dividend policy.

2. Kalpesh Gelda and Dr. Bhavini M. Dodiya (2014) ^[2] made a comparative study on cash flow statement of Tata chemicals limited and Pidilite chemical limited. They stated that success of every business depends on its cash management. They say the difficulties such as degree of non-compliance, misstatement, differences of interpretation and different accounting treatment. There are many differences between companies in their

reporting of cash flow information.

Comparative Balance sheet

Comparative balance sheet is the trend study of two or more balance sheet of same or different business enterprise on different periods of the same or group of items. The preparation of comparative balance sheet shows a time perspective various elements of financial position embodied in such statements.

Table 1: Showing comparative balance sheet of JKCL and UTCL for the years 2015-16 and 2016-17(Rs. in Crores)

Particulars	JKCL				UTCL			
	2015-16	2016-17	Changes	%	2015-16	2016-17	Changes	%
Assets								
Non-current assets								
Tangible assets	3488.84	3674.46	185.62	5.32	22376.71	22898.23	521.52	2.33
Intangible assets	2	5.57	3.57	178.50	310.83	333.53	22.7	7.30
Capital work in progress	152.4	104.82	-47.58	-31.22	1414.48	877.76	-536.72	-37.94
Intangible assets under development					1.08	0.63	-0.45	-41.67
Fixed assets	3643.24	3784.85	141.61	3.89	24103.1	24110.15	7.05	0.03
Non-current investments	362.8	470.38	107.58	29.65	3433.2	2002.72	-1430.48	-41.67
Long term loans and advances	162.51	134.57	-27.94	-17.19	65.89	55.53	-10.36	-15.72
Other non-current assets	0	104.71	104.71	0.00	952.93	637.64	-315.29	-33.09
Total non-current assets	4168.55	4494.51	325.96	7.82	28555.12	26806.04	-1749.08	-6.13
Current assets								
Current investments	61.5	65.26	3.76	6.11	2359.98	5405.95	3045.97	129.07
Inventories	474.24	498.07	23.83	5.02	2277.61	2224.99	-52.62	-2.31
Trade receivables	165.69	148.13	-17.56	-10.60	1414.89	1276.17	-138.72	-9.80
Cash and cash equivalents	475.87	426.92	-48.95	-10.29	2235.2	2217.74	-17.46	-0.78
Short term loan and advances	324.83	0	-324.83	-100.00	118.99	123.95	4.96	4.17
Other current assets	8.32	210.18	201.86	2426.20	1328.78	1226.25	-102.53	-7.72
Total current assets	1510.46	1348.57	-161.89	-10.72	9721	12468.35	2747.35	28.26
Total assets	5679	5843.08	164.08	2.89	38290.57	39281.09	990.52	2.59
Equities and liabilities								
Shareholder's fund								
Equity share capital	69.93	69.93	0	0.00	274.43	274.51	0.08	0.03
Total share capital	69.93	69.93	0	0.00	274.43	274.51	0.08	0.03
Revaluation reserves	0	0	0	0.00	0	0	0	0.00
Reserves and surplus	1644.48	1801.6	157.12	9.55	21357.4	23666.5	2309.1	10.81
Total reserves and surplus	1644.48	1801.6	157.12	9.55	21357.4	23666.5	2309.1	10.81
Total shareholders' funds	1714.41	1871.52	157.11	9.16	21631.83	23941.01	2309.18	10.67
Non-current liabilities								
Long term borrowings	2307.88	2282.37	-25.51	-1.11	2667.89	4200.12	1532.23	57.43
Deferred tax liabilities(net)	328.44	262.81	-65.63	-19.98	2431.99	2773.56	341.57	14.04
Other long term liabilities	139.65	263.05	123.4	88.36	7.98	37.27	29.29	367.04
Long term provisions	18.29	22.38	4.09	22.36	252.73	270.73	18	7.12
Total non-current liabilities	2794.25	2830.6	36.35	1.30	5360.59	7281.68	1921.09	35.84
Current liabilities								
Short term borrowings	196.21	167.29	-28.92	-14.74	2338.75	1015.84	-1322.91	-56.56
Trade payables	280.65	377.74	97.09	34.59	1581.46	1713.8	132.34	8.37
Other current liabilities	645.77	588.86	-56.91	-8.81	7216.08	5169.33	-2046.75	-28.36
Short term provisions	47.72	7.06	-40.66	-85.21	161.86	159.43	-2.43	-1.50
Total current liabilities	1170.34	1140.95	-29.39	-2.51	11298.15	8058.4	-3239.75	-28.68
Total capital and liabilities	5679	5843.08	164.08	2.89	38290.57	39281.09	990.52	2.59

Source: Secondary Data

Interpretation

The change in reserves and surplus of JKCL was 157.12 whereas for UTCL was 2309.10. The change in total non-current liability of JKCL was only 36.35 but for UTCL was 1921.09 which is drastically more. The percentage change of current investments of UTCL is 129.07 which is more when

compared to JKCL which is 6.11. The percentage change of total assets of JKCL is 2.89% whereas for UTCL it was 2.59%. There is no big difference between the two companies. Even though the performance of JKCL was better than the UTCL during the period.

Table 2: showing comparative balance sheet of JKCL and UTCL for the years 2016-17 and 2017-18 (Rs. in Crores)

Particulars	J.K. Cement limited				Ultratech cement limited			
	2016-2017	2017-2018	Changes	%	2016-2017	2017-2018	Changes	%
Assets								
Non-current assets								
Tangible assets	3674.46	3592.32	-82.14	-2.24	22898.23	34218.98	11320.75	49.44
Intangible assets	5.57	4.37	-1.2	-21.54	333.53	2991.86	2658.33	797.03
Capital work in progress	104.82	87.81	-17.01	-16.23	877.76	1472.97	595.21	67.81
Intangible assets under development	0	0	0	0.00	0.63	0.91	0.28	44.44
Fixed assets	3784.85	3684.5	-100.35	-2.65	24110.15	38684.72	14574.57	60.45
Non-current investments	470.38	556.94	86.56	18.40	2002.72	2214.19	211.47	10.56
Long term loans and advances	134.57	50.13	-84.44	-62.75	55.53	34.25	-21.28	-38.32
Other non-current assets	104.71	114.92	10.21	9.75	637.64	2854.23	2216.59	347.62
Total non-current assets	4494.51	4406.49	-88.02	-1.96	26806.04	43787.39	16981.35	63.35
Current assets								
Current investments	65.26	77.58	12.32	18.88	5405.95	3948.71	-1457.24	-26.96
Inventories	498.07	531.61	33.54	6.73	2224.99	3101.5	876.51	39.39
Trade receivables	148.13	187.97	39.84	26.90	1276.17	1714.2	438.03	34.32
Cash and cash equivalents	426.92	543.52	116.6	27.31	2217.74	199.32	-2018.42	-91.01
Short term loan and advances	0	0	0	0.00	123.95	111.02	-12.93	-10.43
Other current assets	210.18	234.81	24.63	11.72	1226.25	1510.86	284.61	23.21
Total current assets	1348.57	1575.49	226.92	16.83	12468.35	10543.26	-1925.09	-15.44
Total assets	5843.08	5981.98	138.9	2.38	39281.09	54373	15091.91	38.42
Equities and liabilities								
Shareholder's fund								
Equity share capital	69.93	69.93	0	0.00	274.51	274.61	0.1	0.04
Total share capital	69.93	69.93	0	0.00	274.51	274.61	0.1	0.04
Revaluation reserves	0	0	0	0.00	0	0	0	0.00
Reserves and surplus	1801.6	2077.42	275.82	15.31	23666.5	25648.41	1981.91	8.37
Total reserves and surplus	1801.6	2077.42	275.82	15.31	23666.5	25648.41	1981.91	8.37
Total shareholders' funds	1871.52	2147.35	275.83	14.74	23941.01	25923.02	1982.01	8.28
Non-current liabilities								
Long term borrowings	2282.37	2069.71	-212.66	-9.32	4200.12	13878.36	9678.24	230.43
Deferred tax liabilities(net)	262.81	267.19	4.38	1.67	2773.56	3174.05	400.49	14.44
Other long term liabilities	263.05	299.11	36.06	13.71	37.27	34.84	-2.43	-6.52
Long term provisions	22.38	25.08	2.7	12.06	270.73	320.46	49.73	18.37
Total non-current liabilities	2830.6	2661.08	-169.52	-5.99	7281.68	17407.71	10126.03	139.06
Current liabilities								
Short term borrowings	167.29	113.52	-53.77	-32.14	1015.84	2687.83	1671.99	164.59
Trade payables	377.74	413.56	35.82	9.48	1713.8	2343.53	629.73	36.74
Other current liabilities	588.86	627.64	38.78	6.59	5169.33	5709.27	539.94	10.45
Short term provisions	7.06	18.84	11.78	166.86	159.43	301.64	142.21	89.20
Total current liabilities	1140.95	1173.56	32.61	2.86	8058.4	11042.27	2983.87	37.03
Total capital and liabilities	5843.08	5981.98	138.9	2.38	39281.09	54373	15091.91	38.42

Source: Secondary Data

Interpretation

The long term borrowing and short term borrowing of JKCL has decreased by 9.32% and 32.14 respectively. But the borrowing has increased by more than 15% in UTCL. The percentage change of total capital and liabilities of JKCL was 2.38% whereas for UTCL it was 38.42%. The percentage change of other current liabilities of UTCL is 10.45 which is more than JKCL which is 6.59. Therefore the performance of UTCL was better than JKCL during the period.

Suggestions

- Both the company mostly depended more on the outsider's funds than on the owners' fund for financing its needs and obligations. By planning for optimum capital structure, the company can reduce financial risk and maximise the wealth of the shareholders.
- The UTCL can utilise its fixed asset more effectively to improve its efficiency.
- JKCL should reduce the long term borrowings by increasing the equity of the company. So that interest cost

will be reduced to greater extent which will increase the net profit over the years.

Conclusion

The study is aimed to analyze the financial performance of JKCL and UTCL by using various financial tools and techniques. According to the study we came to know that the overall financial performance of JKCL and UTCL had been doing a satisfactory job which is a good indicator. UTCL is having a good performance when compared to JKCL. Thus, with regard to financial position in the cement industry, UTCL showed an array of survival, stability and growth.

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