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A STUDY ON PROFITABILITY ANALYSIS OF THE RAMCO CEMENTS LIMITED IN INDIA

Dr. K. Bhuvaneswari* & C. Keerthiga**
* Assistant Professor, PG & Research Department of Commerce with Computer Applications, Sakthi College of Arts and Science for Women, Oddanchatram, Dindigul, Tamil Nadu
** PG Scholar, PG & Research Department of Commerce with Computer Applications, Sakthi College of Arts and Science for Women, Oddanchatram, Dindigul, Tamil Nadu

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Abstract:

The Purpose of this Study is to Profitability relationship between the dependent (Dept Equity Ratio) and independent Variables (Current ratio, Return on Assets, Assets on Structure, Return on Equity, Interest Coverage ratio) in the model of the Ramco cement Limited Company in India from the financial year (2015-2024). Data are analyzed using Correlation and Regression analysis to find the association between the Variables. The result shows that Returns on Equity have a significant impact on Debt Equity Ratio. The Results also shows Assets Structure negatively associated with Debt Equity Ratio. These results are consisting with previous empirical studies. Further, Recommendations are presented in the research.

Key Words: Profitability, Assets Structure, Correlation, Regression

Introduction:

Ramco Cements Limited (RCL) is a leading cement manufacturer in India, and the flagship company. Founding The Ramco Group of companies was founded by industrialist Shri P. A. Cramasamy Raja in 1938**.** The Ramco cement company was incorporated in 1957 and began operations in 1961. Products Ramco cements Manufactures cements, ready mix concrete products. It also sells surplus electricity generated from its windmills and thermal power plants. Expor**ts** Ramco cements sell cements to Sri Lanka through direct export and to Maldives through merchant exports. In economics, profit is the difference between revenue that an economic entity has received from its outputs and total costs of its inputs, also known as surplus value. It is equal to total revenue minus total costs, including both explicit and implicit costs. Profitability is a "Measure of how efficiently a business converts its expenses profit its owners". Profit Margin is perhaps the most common Profitability Measurements. It shows what portion of each Sale goes toward meeting Costs; portion goes into the Bank. Profitability is a Measurement of efficiency. It is Absolute number. Rather metric used to determine the scope of company profit compared the size of business and ultimately success or Failure. Profitability is a measure of How much money the Business is generating after into account all expenses.

Research Objectives:

- To find the relationship between Dept-equity and profitability ratio.
- To suggest the industry a way to increase profitability through adapting a better strategic frame work.

Review of Literature:

Muhammad Safidsaced (2014) he carried out their Study on "Bank- related Industry-related and Macroeconomic Factors Affecting Bank Profitability A case of the United Kingdom" to analyses to Know the banking system of the United Kingdom has grown extensively since 1990 and expanded quickly fill finical crisis 2008 and Banking sector in the United Kingdom Contributes greatly to the economy by providing per ant job in the financial sectors was based on Secondary data. The Main Source of data is collected National Stock Exchange. A Sample of five companies has been selected for this Study. Return on Assets, Return on Equity and Independent Variable, Capital ratio, Liquidity are Considered the dependent Variable. Tools used for Correlation were used for the analysis. He found based on slightly negative correlations of bank size and deposits with bank Profitability can be said that UK banking sector experienced an operation during the financial crises of 2008.

Victor Chukwuemeka (2014) he studies "Profitability Analyses of Sugar Industry". The Impact of Liquidity on Profitability of some selected companies: The Financial Statement Analysis (FSA) Approach was based on Secondary data. The Main Source of data is collated National Stock Exchange. A sample of Collected Two companies has been selected for Studied. Return on assets considered the Dependent Variable Return on assets and Independent Variable, Individual Liquidity Ratio are considered independent variable. Statistical for ANOVA Acid-test were used for the analysis. He found the Significant Positive Correlation between Current ratio and Profitability as measured by return on assets and definite significant correlation between Acid test ratios as measured by return on assists.

Debela Yuina, Robiyanto (2020) carried out their study "Role of Profitability Effect company Growth Debt Policy". Economic Indonesia Influenced by a number of Companies developed rapidly. Brigham and Houston stated that the Company main goal is to increase the company value by increasing the prosperity of the Owners or Shares holders was based on Secondary data. The main source of data collected National Stock Exchange. A Sample of population of this research was twenty companies. Returns on Assets Considered the Dependent Variable are Considered Independent Variable Statistics used for Description Statistics were used for the Analysis. Their found in this study implied that profitability Ratio analysis can provide information into a Company relative financial various ratios of liquidity and Profitability is used.

Khakhdia (2018) he carried out their Study on profitability analysis of selected fertilizer companies of India to analyses to know about the fertilizers Industry on India and check the Profitability of selected fertilizers companies during the study period was based on Secondary data. The Main source of data is collected National Stock Exchange. A sample of Sixteen National stock exchange companies has been selected for this study. Return on Capital Ratio dependent Variable, and independent Variable Gross profit Margin Ratio, Net profit Ratio is considered independent variables. Statistics One-way ANOVA were used for the analysis. He found the Gross profit ratio analysis of Profitability Selected Fertilizers Companies during the study period. GSFC Company performed well during the study period while the performance of GNFC was not good.

Ramprathap (2021) he carried out their Study on “Profitability Analysis with reference to Network Clothing Company Private Limited” to analysis To Measure the Profitability position of network clothing company(p) ltd and Income & expenditure pattern and its impact on the total profit of the company and profitability related to equity share of spinning mills was based on Secondary data. The Main Source of data is Collected National Stock Exchange. A Sample of Network Clothing Company private Limited has been selected for this Study. Return on Investment, Return on Assets Considered the dependent variable Return on Investment, Return on Assets, independent variable, Profitability Ratio, Net Profit ratio are considered independent variable. Statistical Trend Analysis. He found the analytical research study will enable the company to plan for future financial analysis and help to analyze profitability over time, its ability to generate more profit.

Salma Banu (2022) she entitled to Analyses Profitability of Sugar Industry to evaluate the Profitability with reference return on Capital sample factories in Kamataka and offer Suggestions Was based on Secondary data. The main Source of data is collected National Stock Exchange. A sample of collected for fifteen companies has been selected for this Study. Return on Capital Invested Considered the Dependent Variable, are Considered Independent Variables. Correlation was used for the analysis. She found the Purpose evaluate the assets turnover ratio and also takes into Profit Margin of Sugar factories. Practice of diversion of Working funds for financing long-term assets shall altogether to stop and improving the working capital condition of the factories.

Kosher, Bhesaniya (2023) carried out Their “Study on a Research Profitability to Analysis of selected Petroleum companies India”. Financial position of the selected petroleum Industries in India and Financial strength and weakness of petroleum industries in India and analysis the overall financial performance of the selected petroleum companies in India and based on Secondary data is collected National Stock Exchange. A Sample of Public Sector Oil Companies Study on eight company has been Selected for this Study Return on Equity, Earrings per shares is Considered the Dependent Variable are Considered Independent Variable, Liquidity Ratio, Current Ratio, Gross Profit Ratio. Statistics used for One-way ANOVA were used for the Analysis. Their Found Crucial petroleum companies continuously assess their financial performance and appropriate Measure Profitability and efficiency. The finding of this research Study can serve as a basis of future financial decision-making and strategic planning the Petroleum industry in India.

Vasheegaran, Sreegeetha (2023) their study entitled to analyses to find the “Profitability position of selected IT companies in India” and Evaluate Liquidity Position of selected IT Companies in India was based on Secondary data. The main Source of data is collected National stock Exchange. A sample of five companies has been selected for this Study. Net Profit Assets, Gross Profit Ratio Dependent Variable are considered independent variables. Correlation was used for the analysis. Their found asset growth significantly influences the dept equity ratio its liquidity position, the company should enhance its absolute liquidity assets, such as cash on hand, bank balance, and Marketable securities.

Venkateswara Ro Poodle (2023) he studies entitled to analyses of “Profitability Analysis of a Micro Enterprise a case study of Laxmi Vinay polyprini packs private Limited” was based on secondary data. The main source of data is collected National stock Exchange. A sample of ten companies has been selected for this Study. Net profit Margin, Operating Profit Margin considered the Dependent Variable Net Profit Margin, Operating Profit Margin are Considered Independent Variable Gross Profit Margin, Return on Assets. Statistical ANOVA chi-Square was used for the analysis. He found gross profit Margin; operating Expenses ratio and administrative expenses Ratio are not uniform during the period of Study and Management should make efforts to reduce cost of Production.

Salish, Ransariya (2024) their study entitled to Analyses “The Effect of Capital Structure on Profitability A Study on Indian Paper Industry” was based on Secondary data is Collected National Stock Exchange. A Sample of the Study on Nineteen Companies has been selected for this Study. Return on Assets, Return on Net Worth, Return on Capital Employed Considered the Dependent Variable, and Independent Variable, Net Profit Margin, Gross Profit Margi Correlation were used for the Analysis. She found optimal Capital Structure is one of the Major issues of Modern finance and every firm tries to increase its Profitability by minimizing its various Costs.

Methodology:

Secondary data required for research were collected from the web sites of Cement industries in India. Data were used on various financial statements of Ramco Cement limited (2015 to 2024).

Regression Model:

The Multiple Regression models have been followed to test the empirical relationship between the dependent and independent variables of the firm.

$$DER = a + b1CR + b2ROA + b3AS + b4ROE + b5 + ICR + e$$

Where,

DER- Debt equity ratio
CR -Current ratio
ROA - Return on assets
AS- Assets Structure
RE -Return on Equity
ICR- Interest Coverage Ratio
E-error term

Dependent Variable:

Debt Equity Ratio:

Debt Equity Ratio can be calculated using book values from a company balance sheet or statement of financial position. It can also be calculated using Market values for both and equity if the company’s debt and equity are publicly traded.

Debt Equity Ratio = Total Liabilities/ Total Equity

Independent Variable:

Current Ratio:

The current ratio is a financial metric that measures a company's ability to pay off its short-term liabilities with its short-term assets.

Current Ratio = Current Assets/ Current Liabilities

Return on Assets:

Return on assets (ROA) is a financial ratio that measures how well a company generates profit from its assets

Return on Assets = Net Income/ Average Total Assets

Assets on Structure:

Assets Structure refers to the organization of a business assets, including they are allocated and used. Reflection of the balance between a company's fixed assets and current assets.

Assets on Structure = Fixed Assets + Current Assets

Return on Equity:

Return on Equity is a financial metric that measures company profitability and how well it generates Profits from share holders' equity. It's calculated by dividing a company net income by its Shareholders equity.

Return on Equity = Net income / Average Total Equity

Interest Coverage Ratio:

The interest coverage ratio (ICR) is a financial metric that measures a company's ability to pay its interest expenses using its earrings.

Interest Coverage Ratio = Earnings before Interest and Tax/ Interest Expense

Result of the Study:

Table 1: Result of the Correlations

Variable	R	R2
Current Ratio	-0.546	0.298116
Return on Assets	-0.31	0.0961
Assets Structure	-0.583	0.33814
Return on Equity	0.211	0.044521
Interest Coverage Ratio	0.002	0.000004

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

*Correlation Significant at the 0.05 level (2-tailed)

Table 1 above represent the relationship between the variables independent and dependent variables used in this study. From this table it is clear that the variable is Return on Assets and Return on Equity is positively association with Debt-equity ratio. Whereas the variable likes asset structure and interest coverage ratio was negatively associated with Debt-Equity ratio. So, we concluded that all the select variables have associated with profitability ratio in Ramco Cement Limited in India.

Result of the Regression:

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.719[a]	0.517	-0.087	0.21069
a. Predictors: (Constant), Interest coverage ratio, Current Ratio, Asset Structure, return on equity, Return on Assets				

The Model Summary table illustrates the magnitude of the variables in the dependent variable as described by the independent variables. The R Square is 0.940 which is approximately the dependent variable 94%Variance of the DEP is explained by independent variables of profitability.

Table 3: ANOVA[s]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.045	5	0.009	12.631	.015[a]
	Residual	0.003	4	0.001		
	Total	0.048	9			

a. Predictors: (Constant), Interest coverage ratio, Assets on structure, Current ratio, return on assets, Return on equity
b. Dependent Variable: Debt equity ratio

ANOVA test to find out whether the regression model is valid or not. F- Statistics is 12.6312.631 which are Low and have not 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 Co-efficient of Select Ramco Cement Limited

Variables	Model
(Constant)	
Un-Standardized Co-efficient	1.584
Standard error	-0.707
T-Value	2.239
P-Value	0.089
(Current Ratio)	
Un-Standardized Co-efficient	-0.06
Standard error	0.025

T-Value	-5.137
P-Value	**0.073**
(Return on Assets)	
Un-Standardized Co-efficient	0.908
Standard error	0.177
T-Value	-5.137
P-Value	0.005
(Assets Structure)	
Un-Standardized Co-efficient	0.098
Standard error	0.031
T-Value	3.18
P-Value	**0.034**
(Return on Equity)	
Un-Standardized Co-efficient	0.056
Standard error	0.015
T-Value	3.777
P-Value	**0.002**
(Interest Coverage Ratio)	
Un-Standardized Co-efficient	-1.518
Standard error	0.84
T-Value	-1.807
P-Value	0.145

Conclusion:

The Purpose of this research study is to investigate the relationship between Debt Equity Ratio and profitability ratios. For this purpose, Ramco Cements Limited Industry has been selected from India as Study Sample and data is collected Nine years (2015-2024) and processed by using Statistical tools. The study found that the R Values of Return on Assets (0.618) and return on equity (0.608) positively Significant with Debt Equity Ratio. Assets on Structure (0.535) Shows Negatively Correlate with Debt Equity Ratio. Return on Equity is a Financial Metric that's important for investors because it Measures how well a Company's Management is using Shareholder Capital to Generate Income and Growth.

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