



Financial Performance of Ultratech Cement Industry in India using DuPont Model

Dr. D. Silambarasan¹, Mrs. S. Saranya², Dr. R. Raja³

^{1,2,3} Assistant Professor Department of Commerce Saradha Gangadharan College, ES Arts and Science College (Co-Ed) Hindustan College of Arts and Puducherry Villupuram Science, Chennai
E-Mail: dsarasanss@gmail.com, Mobile: + (91) - 8695958104
E-Mail: saranya09091991@gmail.com, Mobile: + (91) - 6382011092
E-Mail: jaihindrajaja73@gmail.com Mobile: + (91) - 8248828049

Abstract: This study examines the financial performance of the Indian Ultratech cement industry using the DuPont model, based on secondary data collected through money management. The study collected data over a ten-year period from 2012 to 2021. The study shows that the financial performance of the company is good and had a good trend position in terms of “equity multiplier, return on equity, and net profit margin” during the study period. The study suggested that the company will try to improve its asset turnover so as to improve its overall financial health.

Keywords: Financial Performance, Dupont Model, Ultratech Cement Industry, And JEL: L61

1. Introduction:

The objective of this study is to analyze and present the factors that may affect the financial performance of the Indian Ultratech cement industry using the DuPont model. Financial statements are summary of a company's activity, finances, and investments. “It is the process of evaluating companies, projects, budgets, and other financial transactions to determine the efficiency of an industry¹.”

2. Review Literature

Sudarsana (2003), in a study entitled "The financial performance of the paper industry in Andhra Pradesh". The results of the paper industry in Andhra Pradesh needs additional resources with technological advancements to improve financial restructuring and operational efficiency.

Joe (2012) Using DuPont analysis, investors were able to identify the actual drivers of a company's “ROE”. The company has been able to effectively use debt to generate higher profits and how margins and asset sales are developing over time. The study suggests that comparing ROE and its drivers with other companies in the same industry rather than all companies. **Vaishali and Rashmi** (2015) studied the efficiency of banking using the DuPont method and found that the DuPont analysis provided a much deeper understanding of banking efficiency.

3. Objectives

To objective of the study is to analysis the financial performance of Ultratech Cement Industry with the help of Du Pont Model.

4. Methodology

- The study is based on the secondary data, which are collected from the Money Control, which is listed on the Bombay Stock Exchange (BSE).
- The present study has been chosen from the Ultratech cement industry in India (As per full-fledged data availability for study period from 2012 to 2021).

4.1. DuPont analysis

It is used to decompose the different drivers of return on equity. Investors can use this analysis to evaluate the operational efficiency of two similar comparable companies. Administrators can use this analysis to identify strengths or weaknesses that need to be addressed².

4.1.1. Return on Equity

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Assets}} \times \frac{\text{Total Revenue}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Total Equity}}$$

4.1.2. Net Profit Margin

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Total Revenue}}$$

4.1.3. Asset Turnover Ratio

$$\text{Assets Turnover Ratio} = \frac{\text{Sales}}{\text{Total Assets}}$$

4.1.4. Equity Multiplier

$$\text{Equity Multiplier} = \frac{\text{Total Asset}}{\text{Total Earnings}}$$

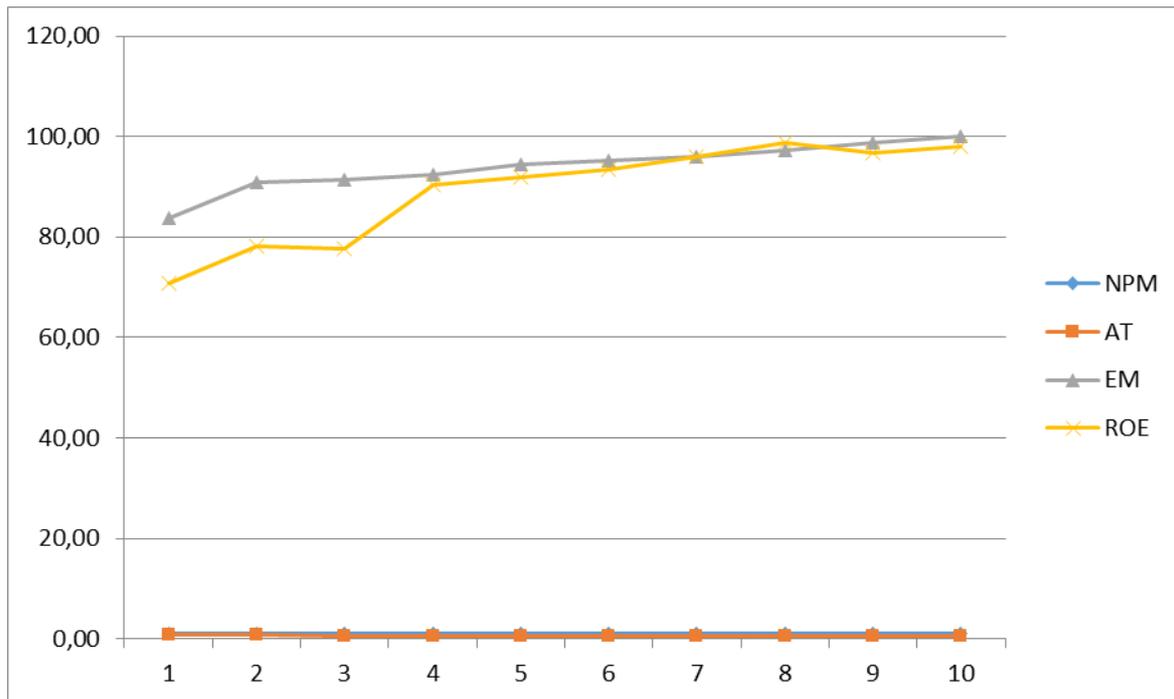
5. Analysis and Discussion

Table 1. Du Pont Analysis of UltraTech Cement Industry from 2012 to 2021

Year	NPM	AT	EM	ROE
2012	1.04	0.79	83.71	70.84
2013	1.04	0.73	90.97	78.16
2014	1.04	0.67	91.50	77.57
2015	1.06	0.64	92.33	90.40
2016	1.03	0.62	94.53	92.03
2017	1.05	0.61	95.10	93.39
2018	1.06	0.55	96.00	95.89
2019	1.18	0.52	97.22	98.77
2020	1.07	0.57	98.82	96.70
2021	1.04	0.54	99.94	97.92

Source: Money Control

The table1 shows the DuPont analysis of the Ultratech Cement industry from 2012 to 2021. “It has been done by considering the net profit margin, asset turnover, and equity multiplier for calculating return on equity.” DuPont analysis shows that the highest net profit margin of 1.18 reported in the year 2019 and it finally the lowest of the net profit margin of 1.03 reported in the year 2016; the highest asset turnover of 0.79 reported in the year 2012 and it finally the lowest of the asset turnover of 0.52 reported in the year 2019; the highest equity multiplier of 99.94 reported in the year 2021 and it finally the lowest of the equity multiplier of 83.71 reported in the year 2012; the highest return on equity of 98.77 reported in the year 2019, and it finally the lowest of the return on equity of 70.84 reported in the year 2012.

Graph A. Trend of Du Pont Analysis of UltraTech Cement Industry from 2012 to 2021

Source: Money Control

The figure A shows the trends of DuPont analysis of Ultratech Cement Industry from 2012 to 2021. The net profit margin shows an increase trend during the study period. The asset turnover shows a declining trend during the study period. Initially, it was more than the subsequent years which followed a declining trend. The equity multiplier and return on equity shows an increasing trend during the study period.

6. Findings

- The finding of this study shows the greatest net profit margin of 1.18 reported in the year 2019, and finally the lowest net profit margin of 1.03 reported in the year 2016. Further, the net profit margin trend shows that increasing the trend during the study period.
- The greatest asset turnover of 0.79 reported in the year 2012 and it finally the lowest of the asset turnover of 0.52 reported in the year 2019. Furthermore, the asset turnover trend shows that declining the trend during the study period.
- The greatest equity multiplier of 99.94 reported in the year 2021 and it finally the lowest of the equity multiplier of 83.71 reported in the year 2012. Further, the equity multiplier trend shows that increasing the trend during the study period.
- The greatest return on equity of 98.77 reported in the year 2019 and it finally the lowest of the return on equity of 70.84 reported in the year 2012. Further, the return on equity shows that increasing the trend during the study period.

7. Conclusion

In the present study, DuPont model plays a vital role in deciding the financial health of the company through Return on Equity. This study was conducted to analyze and predict the financial performance of the Ultratech Cement industry. Through the analysis, it can be seen that the company's performance is good and has shown a good trend position of net profit margin, equity multiplier and return on equity, during the study period. The researcher suggested that the company will try to improve its asset turnover so as to improve its overall financial health.

8. Limitations

- ✓ In the present study, a sample of Ultratech Cement Industry has been considered for analysis. In the future, researchers can consider more number of firms by referring to the other data sources.

- ✓ In the present study, DuPont Analysis is only used for this analysis; therefore future researchers can use of various models likes Regression and Correlation etc.

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Website

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