



Original Article

The Comparative Study of Financial Performance of Sail and Ultra Tech Cement

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Abstract

The present paper involves the comparison between two different industry that is the steel industry and the cement industry. These two giants form the Part of India's core sector. These giants are also known for their employment generation strength. The steel industry and cement industry combinedly boast the national development. They are vital constituent for industrial development. It is a life line to industrial revolution. Steel and cement industry serves as the backbone for overall sustainable economic development. A country cannot think about it industrial development without the iron and steel industry. For the purpose of the study factors such as earnings per share and return on capital employed has been used as financial performance indicators. Data were gathered for these factors over a period 2015-16 to 2020-21.

Keywords: Earnings per Share (EPS), Return on Capital Employed (ROCE).

Introduction

In this paper the researcher had analysed the trend in financial performance indicators of SAIL steel and Ultra Tech Cement. The research paper shall guide the reader to understand the trends in the performance of earnings per share and return in capital employed of SAIL and Ultra tech cement. Return on average capital employed accounts for the overall earning that is earning before tax and interest on the total capital employed. The earnings per share throws light on the profitability of an enterprise from the point of view of ordinary shareholders. The method of calculating return on capital employed is to divide earnings before interest and tax by capital employed and multiplying it by hundred. The present research paper focuses on these factors of SAIL and Ultra Tech Cement.

Working Definitions Used:

- Return on capital employed: it is a common belief that return on capital employed should always be higher than the rate at which the company borrows fund to finance its activities. Intangible assets that have no physical existence. For example, goodwill and trademarks should be included in the capital employed, but none of the fictitious assets such as deferred expenses should be included in capital employed. The return on capital employed can be calculated through the given formula earnings before interest and taxes into (EBIT) upon capital employed.
- Earnings per share, it is a tool used to assess the company's profitability on per share basis. It denotes the profit available for equity divided by total outstanding shares.

Earnings before interest and tax: The interest is added back to the profit just to imply that the capital employed incorporates in its ambit, the borrowed capital also.

Objectives:

1. To study the calculation of earnings per share.
2. To study the return on capital employed of Tata Steel and Ultra Tech Cement.

Hypothesis:

H0-1-There is no significant difference in the earnings per share of Ultra tech cement and Tata steel.

H1-1-Ultra tech cement has significantly higher earnings per share than Tata steel.

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H0-2- There is no significant difference in the returns on capital employed of Ultra tech cement and Tata steel.

H1-2- Ultra tech cement has a significantly higher returns on capital employed is than Tata Steel.

Review of literature:

1. **Reetika Verma** - Comparative analysis of financial performance of HDFC and SBI bank on the basis of Ratio analysis- in any economy plays a significant role in its growth and development. This paper is based on financial performance analysis of two leading banks of India. This paper aims to evaluate financial performance of HDFC and SBI bank on the basis of accounting ratios and also to study the functioning of the Indian banking system. In this paper different ratios of both the banks are compared.
2. **Ch. Satyanarayana¹ and Sonali Gopal Kale** - A Study of Key Financial Ratios of State Bank of India – in this article the researcher states that ratio analysis is a numerical method of understanding details into any financial statements. Financial ratios offer the banks scope to evaluate their financial performance. Ratios calculate the relationship between two or more factors of the Balance sheet, P & L A/c, Cash flows etc. This paper tries to analysis varies key financial ratios of SBI.
3. **John Gillingham-** “Financial Ratios & Analysis” - Accounting Play- 2015-ebook- states that ratios are used in the process known as analysis. Analysis can have different interpretation or purposes including financial, managerial, economic, market, and competitive. In majority of research wok only a few are used, but there are many other industry and investment specific ratios that exist. There are a few investors and analysts (those that analyse financial data) who create their own ratios not covered in standard textbooks.
4. **Mr. Saksham Baveja** - “A comparative Financial Analysis between Dabur India, Godrej Consumer Products and the FMCG industry as a whole” - Research project submitted in Partial Fulfilment of the Requirement for the degree of B.com Honors. BHOPAL SCHOOL OF SOCIAL SCIENCES- through this research the researcher projects that a lot of emphasis is being given to the financial statements of the company. By all means the financial statements are a way of communicating a company's performance over a given period of time. The healthier the financial statements, the better are the prospects of raising capital in the market. These statements are sought after by the prospective investors to channelize their resources to make them more and more productive.
5. **Ciaran Walsh-** Key Management Ratios- Pearson Education Limited- the author speaks about the fact that “all commercial enterprises use money as a raw material which they must pay for. Accordingly, they must earn a return sufficient to meet these payments. Enterprises that continue to earn a return sufficient to pay the market rate for funds usually prosper. Those enterprises that fail over a considerable period to meet this going market rate usually do not survive – at least in the same form and under the same ownership.” The author opines that as a golden rule its importance cannot be overemphasized it is the key to success.

Data collection and interpretation:

Earnings per share: the following table gives the earning per share of SAIL and JSW

Table 1: Earnings per Share (EPS) of SAIL and Ultra Tech

Table 1: Earnings per share

YEAR	SAIL	ULTA TECH
2016-17	-6.8593	98.8
2017-18	-1.1662	80.92
2018-19	5.2749	87.51
2019-20	4.8942	199.4
2020-21	9.3209	189.26
MAX	9.3209	199.4
MIN	-6.8593	80.92
SUM	11.4645	655.89
KURTOSIS	-0.476749523	-3.160497341
SKEWNESS	-0.681408526	0.571733838
STANDARD DEVIATION	6.339952826	58.11380146
MEDIAN	4.8942	98.8
AVERAGE	2.2929	131.178
RANGE	16.1802	118.48

The above table shows the earning per share of sale and Ultratech Ltd from the year 2016- 17 to 2000 - 2021.

Analysts and interpretation:

- 1) Average of SAIL is 2.2929 and that of Ultratech is 131.178, which indicates that on an average Ultra Tech Cement is having higher earnings per share as compared to its counterpart SAIL.
- 2) Standard deviation of Ultra-tech is 58.11 and that of SAIL is 6.34 which indicates that Ultra-tech cement is more volatile as compared to SAIL in terms of earning per share.
- 3) Kurtosis of SAIL and Ultra-tech are negative.
- 4) Skewness of SAIL Is negative and that of Ultra-tech cement is positive.
- 5) Range of SAIL is 16.18 and that of Ultra-tech is 118 .48 which means that Ultra-tech cement has been more volatile in earnings per share.

Hypothesis testing:

T-Test: Two-Sample Assuming Equal Variances

	<i>SAIL</i>	<i>ULTA TECH</i>
Mean	2.2929	131.178
Variance	40.19500184	3377.21392
Observations	5	5
Pooled Variance	1708.704461	
Hypothesized Mean Difference	0	
Df	8	
t Stat	-4.929912834	
P(T<=t) one-tail	0.000574783	
t Critical one-tail	1.859548038	
P(T<=t) two-tail	0.001149565	
t Critical two-tail	2.306004135	

As P value for T-test one tail is < 5%, the hypothesis H_{1,1}- "There is significant difference in earnings per share of SAIL and JSW" is rejected and the null hypothesis H_{1,0} "There is no significant difference in earnings per share of SAIL and JSW" is adopted. **(Equation 1)**

The following table gives the return on capital employed:

Table 2: Return on Capital Employed (ROCE)

YEAR	SAIL	ULTA TECH
2016-17	-0.0056	13.9674064
2017-18	0.0365	10.87911512
2018-19	0.0762	10.04122153
2019-20	0.0722	12.03048566
2020-21	0.1045	15.05079705
MAX	0.1045	15.05079705
MIN	-0.0056	10.04122153
SUM	0.2838	61.96902576
KURTOSIS	-0.007809691	-1.997242693
SKEWNESS	-0.715475244	0.278284679
STANDARD DEVIATION	0.042410647	2.091456638
MEDIAN	0.0722	12.03048566
AVERAGE	0.05676	12.39380515
RANGE	0.1101	5.00957552

The above table shows the earning per share of sale and Ultratech Ltd from the year 2016- 17 to 2000 - 2021.

Analysts and interpretation:

- 1) Average of SAIL is 0.06 and that of Ultra-tech is 12.39, which indicates that on an average Ultra Tech Cement is having higher return on capital employed as compared to its counterpart SAIL.
- 2) Standard deviation of Ultra-tech is 2.09 and that of SAIL is 0.04 which indicates that Ultra-tech cement is more volatile as compared to SAIL in terms of return on cpital employed.
- 3) Kurtosis of SAIL and Ultra-tech are negative.
- 4) Skewness of SAIL is negative and that of Ultra-tech cement is positive.
- 5) Range of SAIL is 0.11 and that of Ultra-tech is 5.10 which means that Ultra-tech cement has been more volatile in earnings per share.

Hypothesis testing:

T-Test: Two-Sample Assuming Equal Variances

	<i>SAIL</i>	<i>ULTA TECH</i>
Mean	0.05676	12.39380515
Variance	0.001798663	4.37419087
Observations	5	5
Pooled Variance	2.187994766	
Hypothesized Mean Difference	0	
Df	8	
t Stat	-13.18736477	
P(T<=t) one-tail	5.20692E-07	
t Critical one-tail	1.859548038	
P(T<=t) two-tail	1.04138E-06	
t Critical two-tail	2.306004135	

As P value for T-test one tail is $> 5\%$, the hypothesis H1- "H1- There is a significant difference between earning per share of SAIL and JSP" is adopted rejecting the null hypothesis H5 "There is no significant difference between earning per share of SAIL and JSP". (Equation 2)

Findings and suggestions:

- 1) SAIL's earning per share is the same as compared to Ultratech cement.
- 2) SAIL's return on capital employed differs significantly when compared with Ultra Tech. Further, it is also noted that Ultratech cement is more volatile in generating return on capital employed.

Conclusion:

Both the companies are important constituents of the India's basic infrastructure sector. Upon the comparative study of financial performance of Ultra-tech cement and SAIL over the period indicates that Ultra Tech cement has consistently maintained higher standards in financial performance.

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Conflicts of Interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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