



Financial performance evaluation: An analytical study of top 4 Indian ceramic companies during 2018-19 to 2021-22

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Abstract

The objective of present study is to analyze the financial performance of top 4 ceramic companies in India during the year of 2019 to 2022. The researcher has selected 4 listed ceramic companies from Bombay Stock Exchange as on 8th August, 2023. The related data has been collected from annual reports and related websites. To analyze the financial performance, profitability ratios, liquidity ratios, solvency ratios and activity ratios have been used as accounting tool. ANOVA-single factor has been applied for analyzing the variance among selected 4 companies. The results of the present study revealed that these ceramic companies perform differently as ANOVA shown, there is a significant difference in the financial performance with reference to profitability, liquidity, solvency and activity ratios.

Keywords: Ceramic industry, financial performance, profitability ratio, liquidity ratio, solvency ratio, activity ratio

Introduction

The Indian ceramic industry is a diverse sector encompassing the production of various ceramic products such as tiles, sanitaryware, tableware, and more. It has seen significant growth over years, driven by factors like urbanization, increasing disposable income, and infrastructure development. India is one of the world's leading producers of ceramic tiles and sanitaryware. It exports its products to various countries, including the middle East, Africa, Europe, and United States. The industry has been incorporating advanced technologies to improve product quality, efficiency, and designs. Digital printing technology has revolutionized tile designs, allowing for intricate patterns and realistic textures. The industry is concentrated in various clusters across the country. Morbi in Gujarat, for an instance is a major hub for ceramic tiles and sanitaryware production. These clusters benefit from shared infrastructures and expertise. Research and development efforts are being made to develop raw materials and processes, as well as to improve product quality. Environmental regulations have become stricter in recent years, pushing the industry to adopt more sustainable practices.

Financial performance evaluation is an approach that combines quantitative analysis, trend tracking, and comparison to assess a company's financial strength, profitability, efficiency, and overall health. It's a crucial tool for investors, creditors, and management to make informed decisions.

Review of literature

Have written a paper and published a paper. The aim of the paper was to study the financial performance and financial strengths and weaknesses of the Indian public sectors pharma companies. It has taken two companies and period

of the study was from 1997-98 to 2008-09. The authors have studied profitability, liquidity and solvency position of companies.

Has published an article related to financial performance analysis. The researcher has wanted to analyze the performance of Jordanian banks with the help of DuPont system. The study period was 9 years from 2000 to 2009. During the study period, it was found out that financial performance of Arab bank is quite steady in terms of ROE, NPR, ATR.

Have written an article. The purpose of this article was to examine the financial performance of Palestinian banks. 5 banks listed on PEX have been selected. researchers have used indicators like: ROA, Tobin's Q, and EVA. The correlation and regression models have been used and they have examined the effects of size, operational efficiency, credit risk, etc. period of the study was from 2005 to 2010, i.e. 5 years.

Has made an attempt to evaluate financial performance through CAMEL model. And also, he has measured the impacts of various factors on financial performance. The results revealed that profit per employee, total advanced to total deposit ratio, debt equity ratio and capital adequacy ratio have impact on performance of banks.

conducted an empirical study on 7 Indian chemical firms using ratio analysis. Researchers have taken a study period from 2010 to 2018. DEA model had classified efficient firms on the basis of rank value.

Have written an article and published it. The purpose of this article was to found an effect of DuPont factors on ROE. The analysis have been done for three maharatna central public companies of the Indian fuel sector. Data of 10 years from 2010-11 to 2019-20 has been taken for the study. To check the influence of factors on ROE, multiple linear regression model has been applied.

Objective of the study

The main objective of present study is to analyze financial performance of selected ceramic companies during the years of 2018-19 to 2021-22 in terms of profitability, liquidity, solvency and activity ratios

Hypotheses

H₀: The profitability ratios of selected ceramic companies do not differ significantly during the study period.

H₀: The liquidity ratios of selected ceramic companies do not differ significantly during the study period.

H₀: The solvency ratios of selected ceramic companies do not differ significantly during the study period.

H₀: The activity ratios of selected ceramic companies do not differ significantly during the study period.

Research methodology

Universe

Universe of present study comprises all the Indian ceramic companies

Population

Population comprises of all the BSE listed ceramic companies in India as on 8th August, 2023.

Sampling design

Out of population, the researcher has selected top 4 ceramic companies which are representative of whole population. The sample is selected on the basis of net profit as on 8th August, 2023.

Sampling units

Table 1

Sr. No.	Company name	Net profit (in crore rupees)
1	Kajaria Ceramic	344.39
2	Cera Sanitary	209.66
3	Somany Ceramics	90.09
4	Orient Bell	21.74

(www.moneycontrol.com)

Period of the study

The study period of present study is from 2018-19 to 2021-22, i.e. 4 years.

Data collection

As the study is based on secondary data, the respective data for the study has been collected from selected ceramic companies' annual reports and related websites as well.

Tools and techniques

In accounting tools, ratio analysis has been used. ANOVA analysis has been used as statistical tool.

Data analysis

Profitability ratio

A profitability ratio is a financial metric that helps assess a company's ability to generate profit in relation to its revenue, assets, equity or other financial indicators.

H₀: The profitability ratios of selected ceramic companies do not differ significantly during the study period.

Table 2

Variables	Sources of variation	SS	df	MS	F	F critical	Result
Operating profit ratio	Between groups	273.8972	3	91.29908	42.19557	3.490295	H0 is rejected
	Within groups	25.96455	12	2.163713			
	Total	299.8618	15				
Gross profit ratio	Between groups	302.1811	3	100.727	36.86855	3.490295	H0 is rejected
	Within groups	32.7847	12	2.732058			
	Total		15				
Net profit ratio	Between groups	227.8813	3	75.96044	41.17348	3.490295	H0 is rejected
	Within groups	22.13865	12	1.844888			
	Total	250.02	15				
Return on equity	Between groups	338.5962	3	112.8654	11.77114	3.490295	H0 is rejected
	Within groups	115.0598	12	9.588315			
	Total	453.656	15				
Return on capital employed	Between groups	606.9944	3	202.3315	16.0136	3.490295	H0 is rejected
	Within groups	151.6197	12	12.63498			
	Total	758.6141	15				

Liquidity ratio

Liquidity ratios are financial metrics that gauge a company's ability to meet its short-term financial obligations. These ratios provide insight into the company's

ability to translate its assets into cash quickly to cover its immediate liabilities.

H₀: The liquidity ratios of selected ceramic companies do not differ significantly during the study period.

Table 3

Variables	Sources of variation	SS	df	MS	F	F critical	Result
Current ratio	Between groups	8.4611	3	2.820367	72.76	3.49	H0 is rejected
	Within groups	0.4651	12	0.038758			
	Total	8.9262	15				
Quick ratio	Between groups	5.872919	3	1.95764	58.0	3.49	H0 is rejected
	Within groups	0.404575	12	0.033715			
	Total	6.277494	15				

Solvency ratio

Solvency ratios are financial metric that evaluate a company's long-term financial stability and its ability to meet its long-term debt compulsions. These ratios provide

insight into whether a company has enough assets to cover its long-term obligations.

H₀: The solvency ratios of selected ceramic companies do not differ significantly during the study period.

Table 4

Variables	Sources of variation	SS	df	MS	F	F critical	Result
Debt-equity ratio	Between groups	0.353819	3	0.11794	13.07	3.49	H ₀ is rejected
	Within groups	0.108275	12	0.009023			
	Total	0.462094	15				

Activity ratio

Activity ratios, also known as efficiency ratios, are financial metrics that measure how effectively a company manages its assets and resources to generate sales and revenue. These

ratios provide insights into how efficiently a company is utilizing its assets to generate profits.

H₀: The activity ratios of selected ceramic companies do not differ significantly during the study period.

Table 5

Variables	Sources of variation	SS	df	MS	F	F critical	Result
Inventory turnover ratio	Between groups	56.49927	3	18.83309	6.54	3.49	H ₀ is rejected
	Within groups	34.52868	12	2.87739			
	Total	91.02794	15				
Debtors turnover ratio	Between groups	6.665025	3	2.221675	1.02	3.49	H ₀ is accepted
	Within groups	25.97095	12	2.164246			
	Total		15				
Assets turnover ratio	Between groups	0.571675	3	0.190558	3.25	3.49	H ₀ is accepted
	Within groups	0.7019	12	0.058492			
	Total	1.273575	15				

Limitations of the study

- The present study is based on secondary data so it has all the inherent limitations of secondary data.
- In present study, only 4 years from 2019 to 2022 has been considered, so impacts of other years has not been measured here.
- The study is limited to top 4 ceramic companies only.

Conclusion

Financial performance analysis is a primary metric to analyze any companies' performance. In which mainly four criteria are followed i.e. profitability, liquidity, activity, solvency. The present study has attempted to analyze financial performance of top 4 Indian ceramic companies in terms of profitability, liquidity, solvency and activity with the help of various accounting ratios. ANOVA analysis has shown that the financial performance of these companies differs significantly during the study period as null hypothesis in most of the cases has been rejected. Only Debtors turnover ratio and Assets turnover ratio have shown no significant difference in selected companies.

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