

Evaluating the Performance of Some Selected Cement Companies of Bangladesh

Mohammad Nahid Imtiaz

Received: 6 September 2021 Accepted: 1 October 2021 Published: 15 October 2021

Abstract

This aim of this study is to investigate the financial performance among the selected cement companies of Bangladesh. This study also includes comparative performance evaluation through financial ratio analysis. This study is based on five leading cement companies, which are Aramit Cement Ltd., Confidence Cement Ltd., Heidelberg Cement Ltd., Premier Cement Ltd., and Crown Cement Ltd. This research is based upon five years of analysis, from 2015 to 2019, and carried by secondary information, and to produce ratio analysis, data has been taken from annual reports, articles, and publications, etc. This study reveals the financial position of selected cement companies which is very important for the industry because of its growth and role in development. Financial Ratios such as Current Ratio, Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, inventory Turnover Ratio, Total Asset Turnover Ratio, Earnings per share, Debt to Equity Ratio were used for comparing performance of these cement companies. Keywords: current ratio, return on assets (ROA), return on equity (ROE), net profit margin, inventory turnover ratio, total asset turnover ratio, earnings per share, debt to equity ratio.

Index terms— current ratio, return on assets (ROA), return on equity (ROE), net profit margin

1 Introduction

Present Cement industry is one of the most promising sectors in Bangladesh. Bangladesh cement industry is the 40th largest market in the world. Currently, there are more than 125 cement manufacturing companies in Bangladesh. And among those 125 firms, 45 cement suppliers, including five multinationals, are in operation, along with 63 grinding plants throughout Bangladesh. Also, there is a domestic demand of over 18 million metric tons per year. The enormity of cement demanded by a country is an exponent of the development of the construction sector, which points towards the economic growth. The economic growth of Bangladesh express by the expansion of urban development, road connectivity, public services, housing building, apartment blocks, etc. Recently, there is a rise in urbanizing, which has boosted the need for building materials and cement. Even then, the development of the cement industry began just about a decade ago. The production of A Bangladesh's cement industry dates back to the early 1950s. Dramatically, the country has been experiencing an increase in cement production for the last 6 to 7 years. The growth rates of GDP and population are correlative over time, and the demand for cement is maintaining almost a positive growth rate. Also, the GDP (In billion USD) and per capita consumption of cement (in kg) have been increasing over time. The export of cement has started its journey in 2003 in Bangladesh, and the export rate is continuously getting upward every year. The highest amount of cement exported in 2010, and Bangladesh earned more than 21 million USD that year.

2 II.

3 Literature Review

4 Nagarajrao B.S & Chandra K-(1980):

Dissected the financial effectiveness of cement companies for the chosen time of the investigation 1970 -71 to 1977-78. It tends to be investigated productivity of chosen cement companies, It has been discovered descending pattern from 1970-71 to 1974-75 because the explanation of inflation, ascending of manufacturing cost, persistent fall in capacity utilization because of numerous reasons.

5 Kumar B. Das-(1987):

Has made an investigation of the monetary performance of the cement industry. It very well may be investigated that the net fixed assets as a percentage of total assets have diminished for the time frame 1970-71 to 1977-78 that was 553.5% to 44.04 % individually. Current liabilities have expanded than the current assets. The Liquidity performance of the cement industry isn't solid at the time of the study. The Debt Asset ratio has to descend during the time of the examination, and the Debt Equity ratio has somewhat expanded while total assets proportion has diminished throughout the long term. Evaluating the Performance of Some Selected Cement Companies of Bangladesh that cement which is a development material, involved in an essential spot in the economy of India. This research also uncovered that, in 1990-91, the industry production capacity was 60 million tons but 48 million tons were produced. In this research, the cement industry was estimated to have a product development of around 100 million tons by the year 2000. To identify the major problem areas and the possibilities, this report also examined the productivity and financial output ratios of the cement industry.

6 Haq & Sohail & Zaman & Alam-(2011):

The relationship between Working Capital Management and Profitability: A Pakistan Cement Industry Case Study were analyzed. The relationship between managing working capital and profitability was explored in this report. In the Khyber Pakhtunkhwa Province (KPK) of Pakistan, researchers picked 14 firms in the cement industry. The analysis is focused entirely on secondary data obtained from the audited financial statements of the companies listed on the Karachi Stock Exchange for the 2004-2009 period. The data was analyzed using the correlation coefficient and multiple regression analysis statistical techniques.

Subir ??okavn and Rajendra Vaidha-(1993): the output of the cement industry after decontrol was evaluated for evaluation. They noticed that the cement industry's success after decontrol was marked by results that were relatively competitive and improved health. This research showed that the composition of the market had shifted dramatically, with many new entrants in the industry producing a vast amount of relative technical and superior ability. This report also noted that substantial actual price rises and a related rise in profitability were observed. For businesses running comparatively new plants, the output of companies in the strategic community was different and big plants seemed to have an edge. Also, the report discussed the essence and impact of inter-company heterogeneity in the cement industry.

7 Hajihassani-(2012):

A financial results comparison of the cement industry in Iran. This study showed a review of the financial results of the 2006-2009 study period. An analysis of the financial results of selected cement companies can be evaluated using different financial measures and metrics of cement companies operating in Iran. Financial ratios are divided into three categories. This concludes that the output of cement companies is distinct from that of the liquidity ratio and the debt ratio based on profitability ratios.

8 Dharmendra S-(2011):

Liquidity, relative to solvency ratios such as Net Assets Ratio, Turnover Ratio (Inventory), Debt to Equity Ratio, and Operating Expenses Ratio, is closely linked to the profitability of the Indian Cement Industry.

**9 Dr. Abdul Ghafoor Awan. Parvez Shahid, Jahanzeb Hassan,
Waqas Ahmed-(2014): The effect of Working**

Capital Management on the output of the cement sector in Pakistan has been analyzed. The research period represented the period from 2009 to 2013. The analysis is solely focused on secondary data obtained from these firms' audited financial statements that are listed on the Karachi Stock Exchange. To measure the effect of Management of working capital on the performance of the business, the return was used as the dependent variable, and independent variables were, Inventory Turnover in Days, Cash Payment Cycle, Current Ratio, and Quick Ratio. The Public Sector Growth Scheme, Total Working Capital, Average Payment, business size, and Government Approved Funds. The panel data tool is used to research the influence of Working Capital Management on the competitiveness of Pakistan's cement industry. He should infer that the duration of cash transfer, product turnover of days, and average payment length have a negative association with business output

and are important in their likelihood. In this analysis, the current ratio has proven to be statistically negligible and hurts return on equity.

Chandrasekaran N-(1993): Attempts to assess profitability in the cement industry were made by CHANDRASEKARAN N. He has observed that institutional and behavioral factors have defined profitability. He also observed that the company's growth, working capital management, capital turnover ratio, inventory turnover, etc., were other variables that impacted profitability. During 1980's some main changes in the cement industry environment has been found in this study which was: Total power for decontrol, new entrants and major capability additions, from inefficient wet process to produce dry process, and from conditions of cement shortage to close glut throughout the sector, are transforming technology.

10 Nand Kishore Sharma-(2002):

In its report on the financial evaluation of the cement industry in India, it was found that the liquidity situation, current ratio, and rapid ratio showed a downward trend, and these ratios also differed from time to time. Six companies scored better in contrast between the current ratio and the quick ratio of the cement industry, and Four companies were found to be lower than the industry average. In the first four years, the solvency position -debt-equity ratio showed a decreasing pattern, after which the trend rose. More than 100% of the fixed assets and gross debt ratios indicated that the outsiders' claims were covered by the cement companies' fixed assets.

11 Raja Mohan S. & Vijayaragavan T. -(2008):

The output of the production of madras cement Ltd has been evaluated. He used the statistical tool Mann Whitney Utest to evaluate the comparative production output of Madras cement and all other cement firms in India. The study results revealed that the production performance of the chosen unit was comparable to the production performance of all other cement units in India. Evaluating the Performance of Some Selected Cement Companies of Bangladesh III.

12 Objectives of the Study

The primary objective of this study is to assess comparative output among Bangladeshi cement companies. The basic objectives of the review are as follows: -? To describe the cement industry of Bangladesh.

? To access the financial performance of sample cement companies for the period of 2015 to 2019. ? To draw a comparative analysis of selected cement companies of Bangladesh for the period of 2015 to 2019.

IV.

13 Methodology

The methodology of the research was stated in the following sections based on data collection, sample, and data analysis, and study design.

14 a) Sample

Conducting this study, five cement companies of Chittagong have been chosen as sample cement companies purposively, namely Aramit Cement Ltd., Confidence Cement Ltd., Heidelberg Cement Ltd., Premier Cement Ltd., and Crown Cement Ltd. Reason for choosing those companies are the data availability on financial performance.

15 b) Data Collection

This research is primarily focused on secondary data. The quantitative information for this analysis is taken from the respective websites and annual reports of the company. The financial data for a total of five companies were used in this study. The following are the sources: ?

16 c) Analysis of Data

To perform the comparative analysis I have used different financial ratios for this study because they are designed to evaluate a financial statement. Different ratios such as Liquidity Ratio, Profitability Ratio, Solvency Ratio, Market Value Ratio, and Asset Turnover Ratio. Ratio analysis is used based on essential variables to include indications regarding a company's past results.

17 d) Data Analysis Variables

This research uses the following different variables for comparative financial performance analysis:

18 e) Current Ratio

It represents the relation between the current assets of the company and its current liabilities. A higher current ratio is often more desirable than a lower current ratio because it illustrates that current debt payments can be made more efficiently by the company.

19 Current Ratio=Current assets/Current liabilities

Return on Assets (ROA): This offers an analysis of how successful the management is in making income using its assets.

20 Return on Assets (ROA)= Net income/Average Total assets

Return on Equity (ROE): The amount of net profits returned as a percentage of the shareholder's equity is presented here. It also tests a corporation's profitability by concentrating on how much profit a business will produce with the investment of the shareholder.

21 Return on Equity (ROE)= Net income/Shareholder's equity

Net Profit Margin: Once all costs and expenditures, including interest and taxes, have been deducted, the net profit margin calculates the amount of each revenue dollar left. The higher the net profit margin for companies, the better it is.

22 Net Profit Margin=Net Profit after Tax/Sales

Inventory Turnover Ratio: Stock turnover is a ratio showing how many times a business's product is sold and replaced over a lifetime.

23 Inventory turnover ratio=Cost of goods sold/Inventory

Total Asset Turnover: The absolute turnover of resources demonstrates the efficiency with which the organization uses its resources for production deals. The higher the absolute resource turnover of the organization, the more efficiently its resources are used.

24 Total Asset Turnover= Sales/Total Asset

Earnings per share: This calculation does not in any way represent the market price of the stock of a company, but can be used by investors to derive the price they feel is worth the shares.

25 Earnings per share=Total Earnings/Outstanding shares

Debt to Equity Ratio: The debt-to-equity ratio represents the proportion of lenders and owners with corporate capital. A higher debt to equity ratio means that more borrower finance (bank loans) is used than lender funding (shareholders). Evaluating the Performance of Some Selected Cement Companies of Bangladesh V.

26 Debt to Equity

27 Analysis of the Study a) Liquidity Ratio

Liquidity refers to a company's ability to satisfy its short-term financial commitments when and when they are due. The primary purpose of the liquidity ratio is to determine the willingness of companies to satisfy their short-term maturing obligations.

In the above table the short-term financial solvency of Heidelberg Cement Ltd. Crown Cement Ltd. is in good condition in past five years with an average of 1.52 & 1.24 respectively. Besides, Confidence Cement Ltd. had ups and downs of current ratio with an average rate of 1.16. On the other side, Aramit Cement Ltd. & Premier Cement Ltd. are very lower than other cement companies over the last five years with an average rate of 0.99 & 0.89 accordingly.

28 b) Profitability Ratios

The capacity of an organization to gain profit over some time is profitability. Although the profit figure is the starting point for any cash flow calculation, as already indicated, due to lack of cash, successful businesses may still fail.

In the above Evaluating the Performance of Some Selected Cement Companies of Bangladesh

In table 5.4, all the cement companies except Aramit Cement managed to put them within an acceptable limit between 5% to 10%. But the net profit margin of Aramit Cement Ltd. was declining rapidly over the years and ended up with a negative rate in 2019 (9.37%). This implies that during the time, Aramit cement ltd was not productive in sales performance and did not achieve the cost-effectiveness of operations. Furthermore, the average data of Net Profit Margin for Confidence Cement Ltd. 10.25%, Heidelberg Cement Ltd 8.17%, Premier Cement Ltd. 5.48%, Crown Cement Ltd. 5.47% .

29 c) Asset Management ratio

The asset management ratio is a collection of ratios that determines how efficiently a business manages its assets.

In table 5 Evaluating the Performance of Some Selected Cement Companies of Bangladesh

In table 5.6. Generally, for large companies, the appropriate total asset turnover ratio is 2 (two) times. But none of the cement companies could maintain it. Considering the average data, Heidelberg Cement Ltd

30 d) Market Value Ratios

Calculating the current share price of the stock of a publicly traded firm, market value ratios are used. Present and prospective investors use these ratios to determine if the shares of a company are overpriced or underpriced.

In table 5.5, we see that all the cement companies faced ups & downs in inventory turnover ratio over the last five years. Considering above average data, Premier Cement Ltd. had the highest average inventory turnover rate of 10.07 times compared to other cement companies, while Aramit Cement Ltd. had the 2nd highest average rate of 9.72 times. It signals of the efficiency for sales of inventory is good of these two companies. Adding to this, the average rate for Crown Cement Ltd. 9.37 times, Heidelberg Cement Ltd. Evaluating the Performance of Some Selected Cement Companies of Bangladesh

31 e) Solvency Ratio

Solvency is a company's ability to fulfill its long term financial commitments. Solvency ratios, also known as leverage ratios, measure the willingness of a business to indefinitely continue operations by contrasting debt levels with equity, assets, and profits.

Solvency ratios reflect the ability of a corporation to make payments and pay off creditors, bondholders, and banks for its long-term obligations. In the long-term, better solvency ratios suggest a more creditworthy and financially stable company.

In table 5.8, the debt to equity ratio of Aramit Cement Ltd. shows an upward trend over the years with an average ratio of (40.17), compared to the other five cement companies, which tells that more creditors funds (bank loans) are being used.

32 Conclusion

At the end of this analysis, it is very much clear that the study is prepared based on the comparative financial performance of five selected cement companies in Bangladesh. Moreover, Financial ratios are also used to compare the performance of these cement companies, which is an important part of financial performance analysis, and through this, we can know the five companies' past and present performance. Most importantly it gives us an idea that which company's performance is the best among the five and which one is the worst.

Throughout the study, Aramit Cement Ltd., Trust Cement Ltd., Heidelberg Cement Ltd., Premier Cement Ltd., and Crown Cement Ltd. were made aware of the financial power, organizational effectiveness and efficacy of the analysis.

From the above analysis, we can say that Heidelberg Cement Ltd. is the best performing company among the five companies. On the other hand, Aramit Cement Ltd. is in the worst position than four other cement companies in financial performance. But some threats are increasing recently. If those risks or threats can be handled properly, then they can survive successfully. If we look at financial performance, we can see that Confidence Cement Ltd. maintained an average Evaluating the Performance of Some Selected Cement Companies of Bangladesh need to improve financial performance such as total asset turnover and inventory turnover by following the recommendations. In addition to, Premier Cement Ltd. had an outstanding position in financial performance except the debt to equity and liquidity ratio. Such as their liquidity position, and solvency position should be improved to perform better than other cement companies.



Figure 1:



Figure 2:



Figure 3:

Figure 4:

5

Current Ratio Table 5.1					
	2015	2016	2017	2018	2019
Aramit Cement ltd	1.19	0.98	0.98	0.96	0.85
Confidence Cement ltd	1.91	1.01	0.84	0.85	1.2
Heidelberg Cement ltd	1.96	1.73	1.59	1.43	0.87
Premier Cement ltd	0.87	1.06	0.88	0.79	0.86
Crown Cement ltd	1.45	1.28	1.21	1.15	1.09

Figure 5: Table 5 .2

	2015	2016	2017	2018	2019
Aramit Cement ltd	3.25%	5.84%	-26.64%	-76.08%	-6.10%
Confidence Cement ltd	10.51%	13.86%	13.16%	7.60%	8.94%
Heidelberg Cement ltd	24.30%	27.00%	17.10%	15.60%	-6.70%
Premier Cement ltd	13.21%	18%	13.09%	10.10%	12.06%
Crown Cement ltd	11.04%	11.07%	9.31%	4.43%	3.51%
	2015	2016	2017	2018	2019
Aramit Cement ltd	1.90%	1.80%	-6.46%	-8.97%	-9.37%
Confidence Cement ltd	8.97%	12.72%	13.72%	7.81%	8.05%
Heidelberg Cement ltd	13.37%	14.22%	8.19%	7.26%	-2.20%
Premier Cement ltd	5.05%	7.38%	5.44%	4.40%	5.11%
Crown Cement ltd	7.85%	8.25%	7.00%	2.51%	1.72%

Figure 6: Return on Equity (ROE) Table 5.3

20	Inventory Turnover Ratio				
15					
10					
5					
0	2015	2016	2017	2018	2019
Aramit Cement ltd	5.08	10.94	13.3	7.38	11.88
Confidence Cement ltd	9.23	7.4	5.71	4.74	7.69
Heidelberg Cement ltd	10.7	7.1	8.4	6.3	6.7
Premier Cement ltd	5.26	7.47	8.67	17.23	11.72
Crown Cement ltd	9.49	9.22	7.99	10.37	9.78

Figure 7: Net Profit Margin Table 5.4

5

Year 2021
() A

Figure 8: Table 5 .5

		Total Assets	
		Table 5.6	
		2015	2016
	0 0.2		
	0.4		
	0.6		
	0.8 1		
	1.2		
	1.6		
	1.4		
Aramit Cement ltd		0.4	0.61
Confidence Cement ltd Heidelberg Cement ltd Premier Cement ltd Crown Cement ltd		0.65	0.58 1 0.8
		1.1 0.8	0.64
		0.69	
Earning	30		
	20		
	10		
	0		
-10		2015	2016
Aramit Cement ltd		0.49	0.84
Confidence Cement ltd		7.25	10.22
Heidelberg Cement ltd		24.8	26.7
Premier Cement ltd		3.83	6.48
Crown Cement ltd		4.37	5.01

Figure 9: Per Share (EPS) Table 5.7

Contrarily, Heidelberg Cement Ltd. and Confidence Cement Ltd. had the lowest average debt to equity ratio, which are (0.90) & (0.96). Moreover, Both Premier Cement Ltd. & Crown Cement Ltd. face ups and downs with an average rate of (1.99) & (1.43) respectively. 2015 2016 Aramit Cement Ltd 3.26 4.35 Confidence Cement Ltd 0.79 0.88 Heidelberg Cement Ltd 0.69 0.82 Premier Cement Ltd 1.97 1.59 Crown Cement Ltd 1.05 1.11 0 50 100 150 200 Debt to Equity Ratio Table 5.8 f) Findings on comparative analysis of financial ratio: Liquidity Although the liquidity position of Heidelberg Cement Ltd. is showing a downtrend up to 2018, considering average, they are in the best position among the five companies. Besides, Crown Cement Ltd. also maintained a good liquidity position along with Heidelberg Cement Ltd. This shows that these two companies are capable of pay off their current liabilities more immediately in comparison with Premier Cement Ltd., Aramit Cement Ltd & Confidence cement Ltd. Profitability: Heidelberg Cement Ltd. had the best profitability ratio performance with an average percentage of 9% in ROA & 15.46% in ROE among five cement companies. has the 2017 2018 2019 7.86 19.18 166.22 1.04 1.02 1.09 0.86 0.69 1.46 1.71 1.97 2.69 1.52 1.77 1.69 poorest average negative rate of ROA (1.72%) & ROE (19.95%) among five cement companies. Considering net profit margin, Confidence Cement Ltd. has obtained the best average net profit margin of 10.25%. This indicates that the cost of goods sold is rightly managed by them, which produced a sufficient net profit margin ratio. On the contrary, Heidelberg Cement Ltd. achieved the second best average of 8.17% in net profit margin. In addition, Premier Cement, Crown Cement & Aramit Cement Ltd. have taken second, third & fourth place in terms of profitability out of five companies. Inventory Turnover: Premier Cement Ltd. is in the best position in inventory turnover among the five companies which indicates the good efficiency of their salespersons. On the other case, the average inventory turnover of Heidelberg Cement Ltd. is 7.8 times closer than the average turnover rate of Aramit Cement Ltd. 9.72 times. In Addition, Confidence Cement Ltd. has the lowest average rate of inventory turnover of 7.10 times out of five cement companies. liabilities as early as possible. ? Premier Cement Ltd. can raise its liquidity by enhancing more cash sales and improving the invoice collection period. ii. Recommendations for Profitability position ? Aramit Cement Ltd., Premier Cement Ltd., and Crown Cement Ltd. can enhance their earnings by managing their operating costs efficiently. ? Aramit Cement Ltd. can increase its income by using more financial leverage. Furthermore, Confidence Cement Ltd. and Crown Cement Ltd. should provide more effort to get a better return from the money invested. ? Aramit Cement Ltd. Also, should try hard to intensify its efficiency in utilizing the firm's assets to generate adequate profitability. Also Premier Cement Ltd., and Crown Cement Ltd. should take effective steps to accelerate the current return on asset. Asset Turnover: Year 2021 A ? Aramit Cement Ltd. can increase its liquidity by getting rid of its useless asset and paying off its () i. Recommendations for Liquidity position Confidence Cement & Aramit Cement Ltd. have third, fourth & fifth appealing positions in utilizing total assets. iii. VI. ? Aramit Cement Ltd., Premier Cement Ltd. and Crown Cement Ltd. should amplify their management ability to operate the business by enhancing sales with the cost price effectiveness of the operation.

232 [D] of Crown Cement Ltd Confidence Cement Ltd. 20. Annual reports ([]) ‘D] of Crown Cement Ltd’. *Confidence*
 233 *Cement Ltd. 20. Annual reports*, 2015-2019. 2015-2019. 2015-2019. (Premier Cement Ltd. 21. Annual reports.
 234 position compared to four cement companies. They just)
 235 [Annual reports ([]) *Annual reports*, 2015-2019. Aramit Cement Ltd.
 236 [Annual reports ([]) *Annual reports*, (Heidelberg Cement Ltd) 2015-2019.
 237 [Cement industry in Bangladesh-A strong rising sector IDLC Finance limited ([]) ‘Cement industry in
 238 Bangladesh-A strong rising sector’. <http://idlc.com/monthly-business-review.php> *IDLC Finance*
 239 *limited*, 2015.
 240 [EBL Securities ltd ([]) *EBL Securities ltd*, (Bangladesh Cement Industry) 2015.
 241 [Financial-Statements-Analysis] [https://www.scribd.com/document/221214341/](https://www.scribd.com/document/221214341/Financial-Statements-Analysis) *Financial-*
 242 *Statements-Analysis*, (Dhaka-Stock-Exchange)
 243 [Ansari and Rehman ([]) ‘Financial Performance of Islamic and Conventional Banks in Pakistan: A Comparative
 244 Study’. S Ansari , A Rehman . *8th International Conference on Islamic*, 2011.
 245 [Md et al.] *Performance Evaluation of Cement Industry of Bangladesh: A Case Study on Some Selected Firms*
 246 *shodhganga*, Md , * Al-Amin Molla , Abdur Rahman Akram , Tania Rahman . [inflibnet.ac.in/](http://inflibnet.ac.in/bitstream/10603/13936/9/09_chapter%202.pdf)
 247 [bitstream/10603/13936/9/09_chapter%202.pdf](http://inflibnet.ac.in/bitstream/10603/13936/9/09_chapter%202.pdf)
 248 [Al Masum1 ([]) *Performance Evaluation of Selected Ceramic Companies of Bangladesh*, Abdullah Al Masum1 .
 249 2012. (Fatema-Tuz-Johora)