DETERMINANTS OF PROFITABILITY OF INDIAN CEMENT INDUSTRY

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ABSTRACT

The Indian cement industry is one of the oldest industries. It has been catering to India’s infrastructure and housing requirements since its emergence during the British Raj. The purpose of this study is to analyse the financial data of 28 out of 36 listed public companies of Indian cement industry for the financial period 2004-05 to 2008-09 with a view to examining impact of determinants such as Total Assets, Liquidity, Inventory Turnover Ratio, Debt-Equity Ratio and Operating Expenses Ratio on the Ratio of Return on Capital Employed thereof with the help of techniques of correlation and regression analysis. The study found that Liquidity is closely related with the profitability of the Indian Cement Industry as compared to the Total Assets, Inventory Turnover Ratio, Debt-Equity Ratio and Operating Expenses Ratio. The change in Total Assets, Inventory Turnover Ratio and Operating Expenses Ratio causes increase in profitability of the Indian Cement Industry; while on the other, the change in Liquidity and Debt-Equity Ratio retreats the profitability thereof.

KEYWORDS: debt-equity ratio, inventory turnover ratio, liquidity, operating expenses ratio, profitability, size.