2.1 INTRODUCTION

It is mandatory to review the literature available with respect to the area of the research study. Measuring the performance of the corporate sector has always been an area of controversies from the point of view of the government, shareholders, prospective investors, creditors, employees and any other stakeholder. Several studies have been undertaken to evaluate the financial performance in the corporate sector. This chapter presents some of the examples of various studies conducted by financial analysts.

2.2 COST ANALYSIS

A. Vijayakumar (1996)\(^1\) in his study on ‘Determinants of Profitability’ has revealed that the growth rate of sales, leverage, current ratio, operating expenses to sales and vertical integration are the important variables which determine the profitability of firms in sugar industry.

P. Indrasena Reddy (1998)\(^2\) has analysed the performance appraisal in public enterprises through value added approach during the period from 1988-89 to 1992-93. In the study, it is observed that the overall performance of Bharat Heavy Electrical Limited (BHEL) has been improving. The increase in total value added

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was possible mainly because of reduction in material cost, which was again due to application of effective cost control techniques and minimization of material wastage.

Shanmuganandam and Ratnam (2002)\(^3\) in their study on “Measures for Sustaining Profitability of Spinning Mills”, analyzed the financial performance of 140 spinning mills in Tamil Nadu during 1994-2000. The mills were classified as high and low profit mills. The financial performance of the spinning mills during the six years was found to be poor.

S. Rajamohan and T. Vijayaraghavan (2004)\(^4\) in their case study have compared the production performance of Madras Cements and all other cement units in India. For the purpose of comparison Mann-Whitney U-Test, a Non-Parametric Test was used and the period of study covers 1996-97 to 2004-05. For the study, Growth Rates of production have been used referring to the percentage increase / decrease in the production of cement in a year, compared to the previous year. The study was concluded by accepting the null hypothesis that there is no significant difference in the production performance of Madras Cements and production performance of all cement units in India.

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Sanjay J. Bhayani (2006)\(^5\), in the study, an attempt has been made to study the cost component of cement units under the study. For the purpose of analysis of cost component, all component cost has been calculated as a per centage of sales. A study has been made by using data from financial statements of top five cement companies of India namely, Gujarat Ambuja Cements Ltd (GACL), Dalmia Cements Ltd, Madras Cements Ltd, India Cements Ltd and Shree Cements Ltd. The data of total cost in various cement companies under study have been rearranged and classified under the following heads: Raw materials and stores consumed salaries and wages, indirect taxes, power and fuel, depreciation, administrative selling and distribution and other expenses and financial charges. It is found out that from the study that the most influencing factor in cost structure of cement industry is power and fuel cost. The portion of this cost in total cost was 21 per cent, where the portion of raw materials cost and selling and distribution cost in total cost structure were 19.27 per cent and 16.60 per cent respectively. So it can be conclude that to improve the profitability of units, there is a need to give proper attention towards this cost by corporate. The closest view of analysis show that the average cost in almost all elements of GACL was closer to the average of the industry.

M. Sumathy and M. Mahesh (2006)\textsuperscript{6} in their Market Research on distribution network of cement industries in Tamil Nadu have found out the following major channels in distribution. The outline the market research in distribution network analysis of cement Industry in Tamil Nadu. The authors list out the companies which supply cement to Erode in Tamil Nadu. The authors give a list of the distribution channels, at different levels such as zero level, one level and so on as detailed below. The observation of the study is as follows:

Producer to Consumer – this is the simplest and shortest channel. Here the producer directly sells the product to the ultimate consumers

Producer to Retailer to consumer – is the intermediary level and sells the product through retailer.

Producer to wholesaler to Retailer to Consumer – is the traditional channel, the whole seller purchases from the producer and sell it through the retailer

Producer to Agent to Retailer to Consumer – here instead of wholesaler, the producer uses the agents as middlemen to reach retail market

Producer to Agent to Wholesaler to Retailer to Consumer – is used to reach small retailers.

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Sima Banerjee and Soumyendra Kishore Datta (2006) have discussed on the aspect of productivity growth in the Indian Cement Industry. According to the authors, the industry began showing signs of growth during the period 1924-41. Domestic production was growing with severe competition amongst producers, depressing prices and profitability. The authors have taken the period of study as 1980 – 2003.

2.3 LIQUIDITY

N.K. Agarwal, (1978) in the study on “Cash Management in Indian Industries” found the average current and quick ratio in cement industry were 1.06 and 0.45 compared to the all industry ratio of 1.23 and 0.54 respectively. The ratio of cash to total current assets and cash turnover ratios in cement industry were 3.2 and 56 respectively. The correlation coefficient of sales and average cash balances in cement industry are 0.68. The study revealed a great need for constant watch on cash flows to control effectively and productive use of idle funds to affect economies in cash holding to increase the profitability of a firm.

N.K. Kulshrestha (1980)\(^9\) has made a study on “Corporate Liquidity: X-rayed”. It is found from the study that excessive liquidity would reflect lower profitability and deterioration in managerial efficiency exhibited through inappropriate decision taken in the spheres of expansion, credit policies and dividend policies.

B. Banerjee (1982)\(^10\) in his study on “Corporate Liquidity and Profitability in India” has analysed the trend of liquidity position and its relationship with the profitability, taking medium and large scale public limited companies in the corporate sector for the period 1970-71 to 1977-78. In the study it is found that in India, in certain industry groups, a rise in liquidity has led to a rise in profitability and vice versa, whereas in other industry groups, the association between the liquidity and profitability has been negative.

S.N. Sarma and A.V. Reddy (1985)\(^11\) made a study on the liquidity position of the Nizam Factories Limited during the year 1972-73 to 1981-82. This study aims to identify the factors influencing the liquidity and the study concluded


that the major element that is affecting the liquidity position of the firm in the government policies with respect to the input and output as well.

H. Desai (1997)\textsuperscript{12} has made a comparative study of a few cotton mills of Ahmedabad in respect of its liquidity performances, their relationship with profitability, the pattern of financing of current assets and the turnover of working capital. The selected firms are classified into three groups based on the size of the firms, and it is statistically tested to determine how for the observations of the study can be taken as a valid useful measure for future policy framework. It is observed that liquidity and profitability of the firms are not influenced by the size.

D.K. Dash (1999)\textsuperscript{13} in his study concluded that the liquidity position of the bank had been maintained at high level. The high level of liquidity affects the profitability and the low level of liquidity hampers the banks’ image. These banks could ill-afford to ensure financial stability and operational efficiency in order to survive in the ever changing business environment. The financial performance of the banks was satisfactory. The cost of operating and managing the banks was more than 3 per cent to the working capital which was just above the ideal level of

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2.5 per cent. The bank was gradually consolidating its position of net worth as compared to fixed assets.

Sahu (2000)\(^{14}\) in a study has made an analysis based on a sample of 100 non financial non-government public limited companies, in Eastern India for a period of ten years from 1984-85 to 1993-94. The author has chosen profitability ratios and interest coverage ratios for the analysis. Cross sectional spearman’s rank correlation of the profitability ratios for all the companies have been calculated and applied for selecting the ratios for analysis. The author has arrived at a single index to measure the composite profitability of a firm and ranked the companies based on the overall score.

N. Rajeswari (2000)\(^{15}\) in her study on “Liquidity Management of Tamil Nadu Cements Corporation Ltd, Alangulam – A Case Study” has identified that the liquidity position of TANCEM was not stable. Regarding liquidity ratios, there were too much of liquidity in the year 1993-94 and 1994-95. A very high degree of liquidity was also made as idle assets earn nothing and affected profitability. During 1995-96 and 1996-97, liquidity ratio was below the standard

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ratio and TANCEM suffered from lack of liquidity. In the year 1997-98, liquidity ratio was just above the standard ratio. It was found that there was an unstable position in maintaining liquidity.

Sathis Chandra (2001)\textsuperscript{16} has made a case study to find out if more liquid companies give relatively more net trade credit in squeeze years. Ratio analysis and multiple regression analysis have been employed. Liquidity has been taken as the independent variable and inventory turnover ratio and average collection period have been taken as independent variable and the relationship has been measured.

Debais Sur (2001)\textsuperscript{17} in his study has made a comparative analysis of liquidity management of four major companies in Indian Power Sector covering a period of 1987-88 to 1996-97. The liquidity ratios like current ratio, quick ratio, current assets to total assets ratio, inventory turnover ratio and debtors’ turnover ratio have been used for comparison and suitable interpretations have been made. To measure the closeness of association between liquidity and profitability of the companies, Spearman’s rank correlation coefficient have been used. The study


has identified that the liquid ratio, working capital turnover ratio and working capital to total assets have negatively influenced the profitability whereas the inventory turnover ratio has a positive impact on profitability.

Amita S. Kantawala (2001-02)\textsuperscript{18} in the study concluded that there exists a significant difference in the profitability ratios, leverage ratios and liquidity ratios of various categories of NBFCs. The more number of ratios do not statistically differed from one another in majority of cases except the trading in shares and investment holding were compared with leasing. The analysis is of variance along with the details of the average ratios may become a useful guide to companies to decide the dissatisfaction or continuation in the same line of business considering overall profitability within the regulatory frame work.

Nand Kishore Sharma (2002)\textsuperscript{19} in his study on “Financial Appraisal of Cement Industry in India” found that the current and quick ratio showed a decreasing trend and also it varied from time to time. On comparing the current and quick ratio of cement industry, six companies were higher than the average and four recorded lower than the average of industries. The average debt equity


ratio was 51:34 per cent. This ratio showed a decreasing trend in the first 4 years of study but after that it registered an increasing trend. The ratio of fixed assets to total debt always showed more than 100 per cent, which indicated that the claims of outsider were covered by the fixed assets of that organization. The return on capital employed recorded an average of 15:46 per cent. This ratio varied from 2.76 per cent to 21.80 per cent during the period of study.

K. Sankaran (2002) has made a study on “Performance Evaluation of Pharmaceutical companies in India”. A set of 10 companies out of which five Indian companies and five MNCs have been selected for analysis. The financial performance has been analyzed with the help of liquidity, profitability and solvency. The author applied ET-HBSAI model for assessing corporate excellence, Altman model to predict bankruptcy, and average return on net worth have been used to assess the performance.

Reddy and Patkar (2004) have attempted to make a comparative study on SBI and CAN bank factors of working capital and liquidity management in factoring, based on the following objectives – to study the size composition of


working capital and to evaluate the liquidity management through ratio analysis and to examine the relationship between liquidity and profitability. It is concluded that the higher liquidity is maintained in CAN Bank correlations which is inversely related with other. It implies that as the liquidity increases the profitability decreases.

P.C. Narware and Vivek Sharma (2004) conducted a study based on the objectives to assess the efficiency of the liquidity management of the company of HPCL and to examine the liquidity position of the company by training measure of cash and bank. It was observed from the analysis that the liquidity position of the company is very poor and the liquid assets were not sufficient in meeting the short term liabilities. In sum, the liquidity management of HPCL is very poor and is not satisfactory.

Hamasalakshmi and Manickam (2005) in their study on “Financial Performance Analysis of Selected Software Companies”, examined liquidity, profitability and leverage position of thirty four software companies during the period 1997-98 to 2001-02 by using ratios, correlation and multiple regression

analysis. The study revealed favourable liquidity and working capital position. It is concluded that the companies rely on the internal financing and overall profitability position of the software companies showed a moderately increasing trend.

Amalendu Bhunia (2007)²⁴ in the study on ‘Liquidity management of Sponge Iron India : A Case Study” an attempt was made to examine and evaluate the liquidity management of the public enterprise as a factor responsible for poor performance in the iron and steel industry in India covering a period from 1991-92 to 2002-03. In the course of analysis in this study, accounting tool and statistical technique have been used. Accounting technique includes ratio analysis, while statistical technique includes arithmetic mean, standard deviation and co-efficient of variation. To examine the pros and cons of the management of short-term liquidity of the company, he compared the various liquidity ratios with that of the industry average being considered as standard one. The study has identified current ratio, liquid ratio and cash position ratio is more than grand industry average during 12 years under the period of study. Hence, it can be concluded that the liquidity management of sample companies is good and satisfactory.

C.T. Sam Luther (2007) has analysed the liquidity of Madras Cements setting the objectives to measure and evaluate the liquidity position of the company, to assess the correlation between liquidity and profitability, to assess the trade-off between profitability and risk. The relationship between liquidity and profitability has been measured by using Spearman’s Rank Correlation Coefficient. This is also further tested by using the Students’ t-test. An attempt is also made to analyse the trade-off between the risk and profitability, the risk analysis of working capital management has been done to assess the extent of current assets maintained by the company, adequate enough to meet the current obligations and also to support the given level of operation. Enterprises are said to follow an aggressive approach when the current assets are financed only by short-term sources and a conservative approach when the current assets are financed by both short term and long term sources. The author has made a finding that the company has adopted aggressive policy has made a negative impact on its profitability. The company has adopted a conservative policy of working capital for the first half of the study period and thereafter in a more aggressive mood. It is concluded that it is the right time for the company to control the working capital so as to meet any sort of financial distress that may occur in future.

Adolphusj. Toby (2008)\textsuperscript{26} in his study on “Liquidity Performance Relationship in Nigerian Manufacturing Companies (1990-2002)” has analysed the empirical relationship between liquidity and other performance measures in Nigerian manufacturing companies between 1990-2002. Using data from 87 quoted manufacturing companies, ten multiple regression models were estimated with four liquidity measures as independent variables, and ten others covering profitability, efficiency and leverage measures as dependent variables. The results show statistically significant relationship between liquidity and profitability, efficiency and leverage measures.

2.4 PROFITABILITY

Barthwal (1976)\textsuperscript{27} in his study on “The Determinants of Profitability in Indian Textile Industry” has examined the factors, which cause variation in the profitability. The explanatory variables used are size of the firm, age of the firm, past profitability, past growth, capital-output ratio and changes in the average cost of production. Only the cost of production had been found to be significant


\textsuperscript{27} R.R. Barthwal, “The Determinants of Profitability in Indian Textile Industry”, \textit{The Economica}, Vol.43, 1976, pp.267-274.
determinants of profitability for the firms in the industry in different regions of the country. The other factors like size and age of the firm, capital output ratio and past growth had explained less than 25 per cent of the variation in the profitability and were considered as insignificant.

Gupta (1979)\textsuperscript{28} in his study on “Financial Ratios as Fore Warning Indicators of Sickness” has made a study of 41 Indian Textile companies, 20 sick and 21 non-sick, to test the predictive power of 63 financial ratios and conclude that the two ratios, namely earnings before depreciation, interest and taxes / sales and operating cash flow/sales were significant.

Singh (1981)\textsuperscript{29} has found out that the size of the unit has a significant role in the capital structure of the cement industry, in his works “Capital Structure and Returns”. This study has revealed that the returns and profitability can be increased by increasing the size of the firm from small to big.

J. Lalwani(1984)\textsuperscript{30} in his study titled “Inter-Relationship Between Productivity and Profitability in Cement Industry”, concluded that there was a

\begin{itemize}
\item \textsuperscript{28} L.C.Gupta, “Financial Ratios as Fore Warning Indicators of Sickness”, \textit{ICICI}, Bombay, 1979.
\item \textsuperscript{30} J. Lalwani, “Inter-Relationship Between Productivity and Profitability in Cement Industry”, \textit{The Management Accountant}, Vol.19, No.6, June 1984, pp.310-311.
\end{itemize}
negative correlation between profitability and productivity. The causes for significant. Even though the heavy loss incurred units were eliminated from the study, the negative correlation came down to ( -0.31) which indicated the trend that remains the same in the cement industry.

Pandey (1985)\textsuperscript{31} has conducted a study on “The Financial Leverage in India” and found that there was no definite structural relationship between the degree of financial leverage, on the one hand and profitability and growth on the other hand, though profitability and growth have improved over time and so had the degree of leverage. It is found out through the study that Indian companies follow a high levered capital structures, the size of the companies are highly associated with leverage and as the leverage increased, the profitability and growth also increased.

George Paul (1985)\textsuperscript{32} made a study on the “Financial Performance of Diversified Companies in India: A comparative Study of Diversified and Non-Diversified Companies”. The financial performance of 32 relatively matched pairs of diversifying and non-diversifying companies in five Indian industries were compared. The findings indicate that diversifiers generally out perform.

\textsuperscript{31} I.M. Pandey, “The Financial Leverage in India - A Study”, \textit{Indian Management}, March 1985, pp.21-34.

However, inter-industry differences in the benefits of diversification are selectively useful.

P. Chandra Mall, and Balashanmugam (1987)\(^{33}\) in their study on “Profitability and Capital Structure – A Case Study of Steel Authority of India Limited (SAIL)”, highlighted the relationship between debt-equity ratio and profitability. The correlation coefficient between the two variables depicted a perfectly negative association (\(r = -1\)). It is therefore reduced that inadequacy in equity has a favourable income effect. The SAIL seek to improve its profit margins so that the reserve and surplus would become an important component of the capital structure. The units ought to design its own financial structure and make it certain that it is designed to be flexible enough to fit present and future needs. The capital mix decision should be with the management, and there had to be an in-built flexibility to allow for changes, so as to take advantage of the changes in the cost of funds.

Mittal and Singla (1992)\(^{34}\) have conducted a research on the “Determinants of Debt-Equity Mix”. The main variables identified were size, fixed assets, debt


service capacity, business risk and growth rate. Twenty five companies form the private sector cement and automobile industries were selected for the study from 1986 to 1990. A multiple regression model was framed to test the effect of debt-equity on the variables. It was reported that in the cement industry the important explanatory variables were size, asset composition, business risk and growth rate. Except business risk variable all other variables were not significant in the automobile industry. In the cement industry, only asset composition had a positive correlation while other variables were found to be significant in the opposite direction while in the automobile industry business risk was found to be significant. It was concluded that there was no similarity in the determinants of debt-equity mix of the two industries except for the business risk.

Chandrasekaran (1993)\(^{35}\) studied the “Determinants of Profitability in Cement Industry” aiming at drawing inference on impact of policy measures which led to change in price and distribution policies relevant for cement industry. Determinants of profitability were analysed using the technique of ordinary least squares. To find out whether the profitability function has shifted after the introduction of partial de-control, dummy variable was introduced for estimating the function and the test was also done to ascertain the inference. The main

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findings of this study are that the profitability of the company is based on the assets structure and proper utilisation of the production capacity.

Jagan Mohan Rao (1993)\textsuperscript{36} in his article titled, “Financial Appraisal of Indian Automotive Tyre Industry”. The study was intended to probe into the financial condition – financial strength and weakness of the Indian Tyre Industry. To this end, a modest attempt has been made to measure and evaluate the financial performance through inter company and inter-sectoral analysis over a given period of time. The main findings are that fixed asset utilisation in many of the tyre undertakings was not as productive as expected and inventory was managed fairly well. The tyre industry’s overall profit performance was subjected to inconsistency and ineffectiveness.

In RBI Study (1995)\textsuperscript{37} an attempt was made to study the Financial Performance of Private Corporate Business Sector during the year 1994-95. Out of the 1030 companies covered in this study, 925 were non-financial companies and 105 were financial companies. The result of the non-financial and financial companies were also analyzed size wise (size classified on the basis of 1994-95 paid up capital of the companies) apart from the analysis of the consolidated


results for the entire sector. The good corporate performance during 1994-95 reflected in major profitability ratios registering distinct improvement in the year under review as compared to the previous year.

Reddy and Ram Kumar Kakani (1996)\textsuperscript{38} in their study on “Econometric Analysis of the Capital Structure Determinates” revealed that the profitability was found to be negatively related to the capital structure of the firm. Capital intensity of the firm was also negatively related to the short term debt and total debt ratio of the firm. The regulated firms and growth oriented firms had more long term debt in their capital structure. The earnings volatility and non-debt tax shields were significantly negatively related to short-term and total debt of the firm. The uniqueness of the firm had become a significant factor in the determination of the short term and total leverage of the firm.

Vijayakumar (1998)\textsuperscript{39} in his study on ‘Determinants of Corporate Size, Growth and Profitability’, identified that growth is significantly associated with profitability. Return on net worth has been used as a measure of profitability. Annual Average Growth Rate of assets has been taken for measuring the growth.


The period covered by the study is 1980-81 to 1995-96. The statistical techniques like average, correlation and linear and multiple regression analysis have been used. The study has revealed that profitability has explained a considerable part of the growth of the firms in the Indian Public Sector Industry.

R.R.Krishna (1999)\(^\text{40}\), in their article an attempt has been made to analyse the trends and determinants of Debt-Equity of selected Road Transport Corporations (RTCs), which are the State Public enterprise of Tamil Nadu during the period 1983-84 to 1994-95. To determine the factors responsible for variation in the debt-equity ratio, the multiple linear regression function has been estimated. The study revealed that the debt-equity ratio in almost all the selected sample has shown an upward trend during the period of study. The empirical results indicated that the size of the operating revenue alone is the most significant determinant factor of debt-equity ratio in all the selected transport corporations during the study period.

Mohammad Rafiqul Isslam (2000)\(^\text{41}\) in his study on “Profitability of Fertilizer Industry in Bangladesh” for a period from 1985-86 to 1994-95, five out

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of seven fertilizer enterprise in Bangladesh under the control of Bangladesh Chemical Industries Corporation have been taken for the study and it is examined the earning capacity of the selected enterprises. The author has also identified the responsible factors which affect the earning capacity of such units. Ratio analysis has been used and he has found out that none of the selected unit’s returns were consistent and all the units were plagued with declining profits. Higher cost of production, poor investment policy, defective capital structure, industrial unrest and frequent disruption of production process due to power cuts were found to be some of the reasons attributable for the uneven situation.

Ganesan (2001)\textsuperscript{42} has selected state bank group and 19 private sector banks as sample to identify the determinants of profits and profitability. The empirical examination of profit function show that interest cost, interest income, other income, deposits per branch, credit to total assets, proposition of priority sector advances and interest income loss are the significant determinants of profits and profitability of Indian public sector banks. The study has also identified the fact that banking sector reforms and individual bank’s policies towards directed investments and direct credit programmes have played a significant role in improving the profits and profitability of banking sector.

Ralph Udegbanum (2001)\textsuperscript{43} in his analysis on bank performance has conducted an empirical analysis of the determinants of performance differences among commercial banks in Nigeria in the early 1990s. Two dependent variables Return on Assets and Return on Equity that are the common measures of bank performance have been taken. Using a simple model of bank performance and a pooled time series cross section data and also OLS estimation method, two sets of regression have been run to estimate ROA and ROE. The result of two sets of regression has suggested that management quality, credit risk and capital adequacy are the key determinants of bank performance, irrespective of the performance indicator used. The evidence has also suggested notable differences, while a strong negative effect of credit policy on ROE is evidenced, the same factor has exerted a weak effect on ROA. It is also found that when asset, growth, liquidity and financial distress are found to exert strong effect on ROA, they have played a less significant role in bank ROE.

Padmaja Manoharan (2002)\textsuperscript{44} through the study has revealed that the profitability of firms depend on age, size and region. The author has identified that quality of earnings depend on cost management, asset management and leverage management. Further, it is also proved that the liquidity influences the profitability and quality of earnings.

G.V. Chalam and A. Prasad (2006)\textsuperscript{45} in their study, an attempt has been made to measure the overall financial performance of sample of nine selected primary agricultural co-operative societies in West Godavari District in Andhra Pradesh have been taken. To measure the financial performance of Jeelugumilli, Reddygangapovaram, Krishnaropeta, Jangareddygudem, Nallajerla, Pthavaram, Pulla, Lakshmaneswaram and Mogalturu societies for the period 1993-94 to 2003-04 statistical tools such as mean, correlation and standard normal distribution were used. In the study, sixteen variables have been selected, in the first instance for the purpose of constructing the scale. The performance of those societies, which get a scale value of one, are poor, whereas those that get a scale of 3 are good; a scale value of two indicates satisfactory performance. Based on the above criteria, Nallojeria, Pulla and Mogaltur societies are good. Jeelurgumilli and

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Lakshmaneswaram societies are satisfactory. Reddyganapovaram, Krishnaopeta, Potavaram and Jangareddygudem societies are poor.

N.R. Parasuram (2006)\(^46\) has made an attempt to identify and study the movement of key financial parameters and their relationship with profitability of automobile industry. The author also made an attempt to and studies whether the key identified parameters in a synchronous way going up and coming down with basic profitability parameters. The Two wheeler and Three wheeler industries chosen and all comparably profit-making companies have been taken as the sample for study for the period of 2002 to 2004. On the basis of this data a trend parameter is calculated for the year 2005. The actual figures in respect of the year 2005 are compared with the trend parameter by way of t-test. So, on the basis of the analysis, the broad conclusion is that the parameters are consistent within a wide horizon and with the growth that companies have achieved, the parameters have also responded in a synchronous manner.

A.K. Jain (2005)\(^47\) in his article, categorised cement industry is built indigenously and using domestically sourced inputs. The author observes that the cement industry has an assured future as demand for cement is likely to grow at a


steady rate. The author also observes that Indian Cement Industry is the second largest to China. It ranks among the global list in terms of technology, quality, efficiency and productivity parameters. In other words, both the hardware and software that run the industry are largely Indian. But there have been many trials and travails in its long history of over 900 years – unequal competition from British cement in the early years followed by several decades under government control. It was barely fifteen years ago, the industry was set free.

Indira Hirway and Amita Shah (2006) have brought out the regional linkages and industrial growth with particular reference to cement industry in Coastal Saurashtra, Gujarat. Gujarat State has been one of the industrially fastest growing states in India, particularly in the post liberalization period. It has been almost at the top among the major states in India in attracting investments to its large and medium scale sector of industries in the nineties. As result, the compound annual rate of growth of manufacturing sector in the state has jumped from about 8.59 per cent in 1980s to about 14 per cent in 1990s. Though the state government has always promoted industrial development through different promotional and developmental measures, the jump in the nineties has been achieved mainly through the aggressive industrial policies adopted by the

government. The main instrument of these policies is deregulation and liberalisation of the different markets; incentives and concessions of different types offered to industrialists from India and abroad; and promotional and developmental efforts. The focus of the policies of the state is more on incentives and concessions, and on promotional efforts to attract large industrial units which are "Premier Units" (units with investment between Rs.100 crores to Rs.500 crores) and "Prestigious Units" (units with investment of more than Rs.500 crores).

Ramnath Subbu (2006) in his study observes that the bulk of demand is driven by housing and commercial construction as infrastructure picks up the growth momentum will be maintained. The author also indicates that the industry on the whole has witnessed good demand growth across the country, with nine months from April – December 2005, with South India having recorded highest growth. This is largely due to the glut of developmental work in progress and also the low base in the previous years. Eastern India has been quite good followed by North India, which has seen normal growth. But there is reason for concern because the UP/MP belt and Gujarat, which are fairly large cement consuming states, have registered negative growth rates.

Subash Chander and Priyanka Aggarwal (2007)\textsuperscript{50} in their study, attempt was made to identify the determinants of growth of select companies in drugs and pharmaceutical industry in India. It is based on a sample of 50 firms drawn from the list of companies in drugs and pharmaceutical industry given in the database by CMIE (Centre for Monitoring Indian Economy) covering a period of 10 years from 1995-96 to 2004-05. The growth of firms is measured in terms of growth in average total assets and average total sales. It is interesting to study the determinants of growth, ten explanatory variables were chosen for empirical investigation. Multiple regression analysis is used to develop a model to identify the determinants of growth of firm in this industry. The results reveal that size, advertising expenditure, age, efficiency ratio, profitability and research and development are statistically significant in determining the growth of firms in drugs and pharmaceutical industry.

Siddharth Mahajan and Mainak Sarkar (2007)\textsuperscript{51} in their study, an attempt was made to compare the financial performance of three Indian companies, Tata Motors, Maruti and Mahindra and Mahindra with two MNCs, Honda and Hyundai.


Ten ratios were used – four profitability ratios, four liquidity ratios and two solvency ratios. In profitability ratio, the profit margin is roughly the same for the Indian companies and MNCs. The assets turnover and return on assets of the MNCs are roughly double that of Indian companies. This indicates that the MNCs are more efficient at utilizing their assets to generate profits. However, the return on equity of the Indian companies and MNCs follow similar practices and has similar performance in working capital management. In solvency ratios, the debt-equity of the Indian companies is about one-and-half times that of the MNCs. This is because the Indian companies use much less equity capital than that of the MNCs. Also the interest coverage ratio of the MNCs is about four times that of the Indian companies. This is because the MNCs use much more equity financing and less debt financing.

RBI Study (2007)\(^5\)\(^2\) an attempt was made to study the financial performance of 1064 large non-government public limited companies during 2005-06 based on their audited annual accounts. The consolidated results of the study revealed continuous improvement in the performance of the companies viewed from the growth in sales, value of production, gross profits, profit after tax, profits retained and net worth in 2005-06 when compared to 2004-05. The profitability and profit

allocation ratios like profit margin and net operating ratio. Profit after tax to net worth also increased during the year under review. External sources of funds played an important role in financing the asset formation during the year under review.

Deepak Thombre (2007)⁵³ in the article analyses the growth dynamics of cement companies. The author observes that the Indian Cement sector has evolved significantly in the last two decades, going through all the phase of a typical cyclical fluctuations. Government regulations had restrained growth till the 1980s when the industry was decontrolled in phases. Several big corporate entered the industry with large sized plants. A condition of scarcity in the 1980s was converted to abundant supplies and failing prices. However, with a vibrant economy, growing infrastructure requirement and low capacity additions post 2002, demand and supply are now balanced. The industry is highly fragmented and can be broadly divided into large and mini plants. With rising liquid fuel prices, transportation, raw material extraction and grinding costs are rising. While deciding on the plant location, there is a trade-off between proximity to raw material sources and proximity to markets. This has resulted in cement being largely a regional play with the industry divided into five main regions namely north, south, west, east and the central regions.

Pramod Mantravadi, A Vidyadhar Reddy (2007)\textsuperscript{54} in their study an attempt has been made to analyse the impact of mergers on the operating performance of acquiring corporates by examining some pre and post merger financial ratios with 96 sample of firms chosen from all mergers involving public limited and traded companies in India between 1991 to 2003. The sample for study primarily included mergers by public limited companies listed on BSE. The study has adopted the methodology of comparing pre and post merger performance of acquiring companies, using the financial ratios – operating profit margin, gross profit margin, return on net worth, return on capital employed and debt-equity ratio. It can be concluded from their study that the operating performance of post-merger period was high when compared to pre-merger period.

S. Kasturi Rangan (2008)\textsuperscript{55} in the study an attempt has been made to identify the factors determining the profitability of the banks through partial correlation co-efficient for the period 2000 to 2007. The banks were categoried into 5 different groups for the purposes of analysis. The financial position of a


total 74 banks have been considered for the study. The profit was taken as the net profit reported by the banks in their published accounted submitted to RBI and major determinants of profitability of a bank are: Interest spread, other income and operating expenses. It can be concluded from the study that the negative correlation between operating expenses and profits and the high degree of association between interest spread, other income and profits in the case of foreign banks, state bank group and nationalised banks indicate that these banks should concentrate on improving the interest spread and other income rather than on cost cutting measures. In the case of old generation private sector banks, the high degree of correlation between profit and other income suggests that these banks should concentrate on generating non-operational income in order to boost their profitability. Cost plays a significant role in the profits in the case of new generation private sector banks. Hence these banks should concentrate on cutting cost to improve profitability.

Kamlesh Kotak and Ankesh Agrawal (2008)\(^{56}\) have a vivid and exhaustive account of the Indian Cement Industry. According to the authors, “times have never been so good for the Indian Cement Industry – the robust earnings growth posted by the cement companies since last eight quarters has been unprecedented”.

They believe that the purple patch for cement companies is likely to continue for another four or five quarters. Though demand is likely to remain robust growing at 10 per cent CAGR, the supply is expected to overtake in view of about 88 mn tones. Regions like North and South seem to be heading for over capacity situation that may adversely hit some of the midsized regional players. The capacity utilisation level would fall from 90 per cent to below 80 per cent. As seen in the past, whenever capacity utilisation level falls below 82 per cent, cement companies take a hit on profitability.

**Trends in Consumption**

The domestic consumption of cement from large players has grown from 42.82 million tones in 1989 – 90 to 62.81 million tones in 1996–97\(^59\) at compounded annual growth rate (CAGR) of 6.6 per cent.

Sumit Banerjee (2009)\(^57\) in his study has discussed the problems and challenges faced by the cement industry due to the global economic slow down. The author has insisted the need for more stimuli to save the collapse of cement industry. According to the author, beginning 2008 confirmed that an economic slow down had begun and it was to stay. The stage was set for a challenging year for the cement industry. The author observes that year 2008 reflected several

shades. A commentator described the year most aptly when he said that a single calendar year witnessed a boom followed by inflation, then stagflation and then the bust. No wonder then that the cement industry in India behaved in a peculiar fashion in response to this freak economics.

N. Srinivasan (2008)\(^{58}\) observes that the Indian Cement Industry must shed its insular approach and develop a global mind set. The author has given a historical development of cement industry. The historical development can be broadly classified into the following eras.

![Table 2.1](attachment:image.png)

<table>
<thead>
<tr>
<th>Historical Development</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Era of dominant imports</td>
<td>1914 – 1924</td>
</tr>
<tr>
<td>Era of struggle and survival</td>
<td>1924 – 1941</td>
</tr>
<tr>
<td>Era of price controls – pre-plan</td>
<td>1942 – 1951</td>
</tr>
<tr>
<td>Era of planning &amp; controls</td>
<td>1951 – 1982</td>
</tr>
<tr>
<td>Era of partial decontrol</td>
<td>1982 – 1988</td>
</tr>
<tr>
<td>Era of decontrol</td>
<td>1989 – onwards</td>
</tr>
</tbody>
</table>


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Till 1982, the cement industry endured various phases of acute foreign and indigenous competition, stagnation of capacity, poor infrastructure, low productivity, low profitability, as also prolonged years of price control. Consequently neither growth was uniform over the years nor was capacity utilization high.

2.5 WORKING CAPITAL

Altman (1968)\(^{59}\) in his study on “Financial Ratios, Discriminant Analysis and prediction of Corporate Bankruptcy”, took 66 firms in general and applied multiple Discriminant analysis to Discriminant the failed firms from the non-failed firms, on the basis of the weighted combination of five financial ratios – weighted combination of working capital to total liabilities, cumulative retained earnings to total assets, earnings before interest and tax to total assets, market value of equity to book value of total debt, sales to total assets – was able to predict the bankruptcy with 45 per cent accuracy. It is revealed that the predictive ability of the model declined very sharp when the number of years prior to the failure increased.

L.K. Bansal, and R.K. Gupta, (1985)\(^{60}\) in their study entitled “Financial Ratio Analysis and Statistics”, enlightened that the coefficient of variation in the

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study period had a wide gap varying between 7.1 per cent and 51.3 per cent for current ratio and ratio of fixed assets to sales. The correlation of components of short term liquidity ratio generally possesses low correlation as against long term solvency ratio components but the components of both ratios independently possess quite satisfactory correlation in cotton textile industry. The profitability ratio elements in the industry also have quite high correlation in cotton industry as compared to synthetic industry.

Vijayakumar and Venkatachalam (1995)\(^{61}\) have made an empirical analysis on working capital and profitability, taking 13 firms from sugar industry, in Tamil Nadu covering a period of 1982-83 to 1991-92 correlation and regression analysis has been applied to measure the impact of working ratios on profitability. The study has revealed that liquid ratio, cash turnover ratio and receivable turnover ratio have positively influenced the profitability.

G. Srinivasa Rao, and P. Indrasene Reddy (1995)\(^{62}\) in their study entitled “Financial Performance in Paper Industry – A Case Study” stated that the financial position of the company has been improving from year to year. The Company’s performance in relation to generating internal funds in the form of

reserve and surplus was excellent and also sounded as it was revealed by current and quick ratios which were above standard. The solvency ratios showed that the company had been following the policy of low capital gearing form 1990-91 as these ratios had been decreasing from this year. The performance of the company in relation to its profitability was not up to the expected level. The company’s ability to utilise assets for generation of sales had not been improved much during the study period as it was revealed by its turnover ratios.

Indrasena Reddy and Someshwar Rao (1996)\textsuperscript{63} in the study on Working Capital Management in Public Sector Undertaking – A Case Study revealed that the liquidity position of HCL was satisfactory as its current ratio and quick ratio remained above the standard norms throughout the period of study. The turnover ratios of HCL showed that the company’s ability in managing current assets for generation of sales had not been improved much during the study period. Since 1991-92, a sign of improvement was noticed in respect of inventory management and ineffective control over debtors which indicates that the advantages accruing to working capital management from declining share of inventory had been off-set by the increasing share of debtors to the total current assets.

Amit Mallick and Debasish Sur (1998)\(^{64}\) conducted a case study of tea industry on working capital and profitability an interrelation during the period 1986-87 to 1995-96. The study has made on the objectives to examine the impact of working capital on ROI and some important working capital ratio by computing simple correlation co-efficient and felt the significance of such co-efficient and to assess the joint effect of the above ratios upon the profitability with the help of multiple correlations co-efficient and multiple regression equation.

Sakthivel Murugan (1999)\(^{65}\) in his study revealed that one of several indicators of efficient management of working capital is to examine whether adequate liquidity is maintained. The Z score analysis reveals that the organisation maintains the Z score above three points for all the year taken for the study. This shows that the company is maintaining adequate working capital by investing sufficient funds in its current assets, with the help of adequate current assets, it is also able to meet the current obligations without inviting the risk of bankruptcy.


Cote and Latham (1999)\textsuperscript{66} in the study have combined three current and liability accounts ratio into a single ‘merchandising ratio’ in order to measure the net effect on a firm’s working capital management strategy. The merchandising ratio, accordingly to the researchers is computed based on the three turnover ratios – accounts receivable turnover ratio, inventory turnover ratio and accounts payable turnover ratio. The relationship between merchandising ratio and traditional ratios are tested and positive correlation between return on assets and merchandising ratio are identified. According to the study, the lengthening of the cash conversion cycle cannot be sustained without a negative impact on profitability.

Desai (2000)\textsuperscript{67} has assessed that capital structure of Gujarat Steel Tubes Ltd for 10 years from 1980-81 to 1990-91 and found out that the real value of the equity shares has been far below their book value and also inconsistent during the entire period of study. It is found out that the company’s capital structure was imbalanced and over capitalized financial plans has continued for a long period of time, preventing the company from earning profits. In the study, though it is discussed on various models of prediction of sickness, the author has applied Altman’s Z score model and has identified that from the year 1980-81, till the


latest year 1990-91, the company has been scoring less than the minimum cut off value of 2.675 as suggested by Altman. It is also applied Argenti’s score system for a subjective evaluation of defects in management and accounting mistakes and symptoms. It is concluded by analyzing the reasons for the sickness of the company.

Narware (2004) in his study has examined the inter-relationship between profitability and working capital with the assistance of ratio analysis. The author has also employed correlation analysis between selected ratios relation to working capital management and ROI. Multiple regression analysis has been employed to ascertain the impact of working ratio and profitability. The analysis revealed that working capital management and profitability disclosed both negative and positive association.

Darling Selvi (2005) in her study conducted a study on the topic of “Financial Performance Analysis of TTK Pharma Company”. In the study net profit ratio, current ratio, liquid ratio, inventory to working capital ratio, debt-equity ratio, ratio of fixed assets to net worth, ratio of current assets to proprietors fund and ratio of current liabilities to proprietors fund have been analysed. It was concluded from the study that the income generating capacity of

TTK Pharma is good except during the year 2000-01 in which the company has incurred heavy loss and hence it was not able to fulfill its obligations to its owners and outsiders which was the main reason for the maintenance of low profitability ratio. Further in the investment pattern also heavy amount had been invested in fixed assets and so it was the hindrance for the running of working capital. The heavy blocking of inventory shows lower sales than production and the company’s cash position is good and is able to pay interest. The leversages show a negative result of high risk for the investors.

Sushma Vishnani and Bhupesh Kr Shah (2006)\textsuperscript{70} in their study have made an empirical study of 23 Indian Consumer Electronics Industry for assessing the impact of working capital on profitability during the period 1994-95 to 2004-05. The impact of working capital on profitability has been examined by computing co-efficient of correlation and regression analysis between profitability ratio and working capital ratio. The correlation analysis of industry-wide pooled date revealed a very weak positive correlation and that too not at all statistically significant. Thus, it may be concluded that there is no uniform correlations between liquidity and profitability in industry as a whole: rather it varies from company to company in the respective industry. The regression analysis of

industry wide pooled date revealed a positive association between liquidity and profitability. It indicated that if current ratio varies by 1 time, return on capital employed shall increase by 1.58 times. However, statistical significance as well as magnitude of the regression equation was very poor which makes it less reliable. Thus, it may be concluded that there is no uniform relationship between liquidity and profitability in industry as a whole, rather it varies from company to company in the industry.

Rathore and Pinki Rai (2007)\textsuperscript{71} in their study have made an effort to analyse the financial performance of Air India Ltd the following parameters have been taken for the study – capital structure, working capital, profitability position and operating performance. They found from their studies that working capital was showing negative trend and profitability position of the company was showing tremendous fluctuating trend during the study period. The operating performance of the company during the study period was not satisfactory because of percentage of change in operating cost was more than the percentage of change in operating profit. To improve the financial performance of Air India Ltd, they suggested that the best way to manage and run the airlines is partial or full privatisation and give them full autonomy in their functioning.

2.6 Z-SCORE ANALYSIS

George Gallinger (2000)\textsuperscript{72} in his study examined the framework of financial statement analysis in terms of five parts. The first part of the study has focused on “Return on assets performance”. It has been examined the profitability of Salton Company. The author has examined the components related to return on sales and asset management in depth. According to the study, inefficient asset management will result in destroyed market value of the company and will probably cause financial distress problems which may even result in bankruptcy. It is also revealed that if the weighted average cost of capital on a before tax basis exceeds the return on assets, the company would need to improve the performance through higher return on sales, increased asset turnover or both.

George W. Gallinger (2000)\textsuperscript{73} in his study on ‘Prediction of Financial Distress’ as the fifth part of the framework for financial statement analysis. The author has used z-score model developed by Edward I Altman to test the solvency of the company. Altman’s Z score bankruptcy prediction model has been based on Earning before Interest and Depreciation / Total assets, net working capital to total assets, market value of equity to book value of debt, retained earnings to total assets and sales to total assets. Applying this model, it is identified whether the firm chosen for the study was under ‘grey’ area or ‘no threat’ area.


Mansur Mulla (2002) in his study to use of Z score for Evaluation of Financial Health of Textile Mills – A case Study has made an insight into the financial health of Shri. Venkatesh Co-operative Textile Mills Ltd, Arunegir of Dharwad District. The study attempts to evaluate the financial stability and operational health by applying Z score analysis. Form the study it was concluded that the textile mills under study were just on the verge of financial collapse. On the other hand, current assets declined because of the negative profitability performance, whereas on the other hand, the current liabilities were on the increase because of poor liquidity performance of the mills.

2.7 ECONOMIC VALUE ADDITION (EVA) / MARKET VALUE ADDITION (MVA)

Walter (1992) in his study titled “Pay Executives for their Real Performance”, emphasizes that the earnings per share, return on equity and growth from earning does not present an accurate measure of the executives performance and may create business problems in decision-making. It is cited that the executives’ compensation must be taken into account, the return or shareholders value that an executive’s performance brings the corporation. The author stresses the Economic Value Added gives the most accurate measure of the real worth of executive contribution to shareholders wealth.

Loeb (1993)\textsuperscript{76} in his study titled, “How We All Learned About Economic Value Added, CVA and Employees”, looks at the economic value added as a tool for evaluating the performance of almost any business operation from a giant company to a small division by focusing on its use of capital. It is added that the business people use economic value added report enthusiastically to uncover hidden problems. The author concludes that those companies that adopt the concept of economic value added often become super performers.

McConville (1994)\textsuperscript{77} in his study titled, “All About Economic Value Added”, refers the term Economic Value Added as a financial tool that enables companies to do more with less by spotlighting the cost of capital. To determine the Economic Value Added (EVA) of any operation, a company simply subtracts from the net operating profit after taxes the cost of the capital employed to produce that profit. It is emphasized that the value is increased by earning a return greater than share owners or lenders require; Economic Value Added is diminished when the return is less. The author also stresses that the Economic Value Added really gets increasing because it is being used by business to equate manager salaries and bonus with performance, replacing return on investment, sales goals or budget-based percentages.

\textsuperscript{76} M. Loeb, “How We All Learned About Economic Value Added, CVA and Employees”, \textit{Financial Executives}, Vol.9, No.4, July-August 1993, p.51.
Thackray (1995)\textsuperscript{78} in his study to emphasizes the important strategy tools such as ‘value based planning’ and ‘Economic Value Added’ in his study entitled ‘What’s New in Financial Strategy?’. The author has added one more financial concept that has come to exert a powerful influence on corporate strategy. It is emphasized that the Economic Value Added and Block-Scholes options pricing theory will determine the corporate strategy and they are the best measures of financial performance.

Gapensti (1996)\textsuperscript{79} in his study using Market Value Added and Economic Value Added to measure financial performance, has come out with two measures Market Value Added and Economic Value Added as the two indicators of financial performance that are becoming popular in investor owned and non profit health care organizations. It is pointed out that the Market Value Added Technique is best applied for investor – owned healthcare providers while Economic Value Added is most applicable to non profit organisations. The author maintains that both Economic Value Added and Market Value Added are the best measures of financial performance and that they will determine the shareholder value.


Grant (1996)\textsuperscript{80} in his study to look at the Economic Value Added as a financial metric. The author computes regression statistics between the Market Value Added to Capital and Economic Value Added to Capital Ratios from the data of 983 firms. It is found that the explanatory levels ($R^2$) of 32 per cent with statistical significance. Regressing Market Value Added to capital and the spread between return and cost of capital reveals $R2$ of 37 per cent. The author’s research results suggest that Economic Value Added significantly impacts on Market Value Added of a firm and that this wealth effect stems from the company’s positive residual return on capital.

Alex (1997)\textsuperscript{81} in his study to examine the Economic Value Added and Market Value Added of Chemical Industries in a study, “A star To Sail by?”. It is observed that a growing number of companies worldwide are emphasizing shareholder value as a way to ensure long term prosperity. The author supports Economic Value Added as a measure of shareholder value, which is already used in the United States and also being considered by companies in other countries. It is recommended that Economic Value Added as one of the financial models to


\textsuperscript{81} A. Alex, “Star to Sail By”, \textit{The Economist}, Vol. 344, No. 8028, August 1997, pp.61-64.
determine the financial performances of companies. The author encourages employees and managers to think as investors do and to act according to their interest.

McLaren (1999)\(^8\) in his study to examine the correlations between Market Value Added and several conventional performance measures in the computer industry. The author concludes that the Economic Value Added and Market Value Added are the best measures of shareholders value creation.

Dyal Batnagar and Chandra Shekhar (2001)\(^8\) in their study have made an attempt to measure the financial performance through MVA analysis. The multiple regression model was used to explore as to which of the independent variables was more capable of explaining movements in share prices in each industry. The analysis revealed that EVA was the most significantly related variable with MVA in case of chemical and Pharmaceutical industry. In case of infrastructure industry Capital Productivity was most significantly related to MVA. The analysis with regard to miscellaneous industry revealed that both EPS and EVA were significant variables which explained movements in MVA.

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B. Ramachandra Reddy and B. Yuvaraja Reddy (2007)\textsuperscript{84} in their study, an attempt was made to examine the effect of selected variables on MVA of selected cement companies in India for 2003-04. For the purpose of the study three major cement units and seven mini plants were selected. The MVA has been taken as a dependent variable and Return on Net Worth, Capital Productivity, Labour Productivity, Earning per share, EVA, Return on Sales, Return on Total Assets and Cash profit have been selected as independent variables. It can be inferred from regression analysis that none of the factors was found to have significant impact on MVA. But EPS was found to have a negative and significant effect on MVA. This implies that the MVA of cement companies is not only affected by selected independent variables but also influenced by other factors.

Ali Ghanbari and More (2007)\textsuperscript{85} in their study an attempt has been made to empirically test the strength of the relationship between EVA and MVA in Indian Automobile companies for the period 2001 to 2005. Five independent variables have been chosen to analyse their impact on one dependent variable (MVA). Through correlation analysis, it has been observed that MVA is positively correlated with EVA and all other financial indicators, but only the correlation


between MUA and EVA and NOPAT are significant at 1 per cent level. It indicates that EVA was the most explanatory measure and more closely associated with MVA than the other performance measures such as EPS, ROA and ROCE.

M. Selvam, S. Vanitha and M. Babu (2008)\textsuperscript{86} have analysed the health of cement industry using ‘Z’ Score analysis. The objectives of the study are to examine the overall financial performance of India Cements Ltd and to predict the financial health and viability of the India Cements Ltd. ‘Z’ score analysis has been established by Edward I. Altman (1968) to evaluate the general trend in the financial health of an enterprise over a period. The financial health of the company was never in the too health zone during the study period. The reasons attributed are: the company faced the problem of under trading owing to the excess working capital, the negative operating profit, failed to achieve sales targets, excess debt.

\textbf{2.8 CONCLUSION}

A review of literature has been made to establish the validity of the research topic, “Financial Performance of Cement Industries in Tamil Nadu”. Various theories pertaining to working capital, profitability, liquidity and value added measures, propounded by various financial analysts have been reviewed for the span of four decades.

CHAPTER II

REVIEW OF LITERATURE

2.1 Introduction
2.2 Cost Analysis
2.3 Liquidity
2.4 Profitability
2.5 Working Capital
2.6 Z-Score Analysis
2.7 Economic Value Addition (EVA) / Market Value Addition (MVA)
2.8 Conclusion