CHAPTER-6
SUMMARY OF FINDINGS SUGGESTIONS AND SCOPE FOR FURTHER STUDY

1. FINDINGS

Some of the important finding of our study are as follows:

1. The cost of equity of select cement companies is less than the bench marked cost of equity i.e 15 percent.

2. The study undertaken showed that Indian Cement companies are not always adding economic value o market value or share holder value despite being in profits.

3. EVA and MVA were also positively correlated in all most all the cases of our study which means market value of cement companies have really being driven by EVA.

4. Average sustainable growth rate of earnings of select cement companies of the study is ranging between 14 percent to 33 percent. The shree cement limited has exhibited higher potential for growth but Ambuja Cement co Ltd has revealed low provision for growth.

5. Sustainable growth rate of earnings is not a uniform driver of value addition.

6. Ultratech, ACC and Shree cements companies have created more value than other cement companies in absolute terms.

7. In case of MVA, Ultratech, ACC and shree cements have contributed more than the industry average.
8. Capital efficiency in creating economic value is found more in case of RAMCO, Ambuja and JK cement but less in case of Birla, Shree, ACC and Ultratech cements.

9. The operating risk for select companies of cement industry for the study period was ranging from 1.11 to 2.05 degree. The high degree of operating risk for the study period was found in case of Shree cement limited and the low degree of operating risk is 1.11 was noticed in case of Birla corporation Limited. This being a fact that, the earnings magnifying power of sales is more for Shree cements whereas it is less in Birla Corporation Limited.

10. The average financial risk, for the study period of select cement companies was ranging from 1.02 to 1.50 degree. The high degree of financial risk was found in case of JK Cements and low degree of financial risk was observed in Ambuja Cement company limited.

11. The degree of combined leverage applied to measure the business risk of cement companies for the study period on an average was ranging from 1.18 to 3.174 degree. This has produced the fact that the low amount of business risk was observed in Ambuja Cement whereas it was more in Shree Cement Limited.

12. It has been found that there is an inverse relationship between business risk and economic value added.

13. Out of the select pack of cement companies ACC, Shree cements and Ultratech cements were value pretenders, Ambuja Cements was value
creator, Madras/Ramco Cement was value victim and Birla and JK Cements were value destroyers for the study period.

2. SUGGESTIONS

The following suggestions are offered to improve the value performance in the Indian cement Sector in general and cement companies in particular;

1. In order to design the Value Based Management (VBM) system in an organization, the top management commitment is required. Therefore to build this commitment, the top management should be thoroughly grounded in the theory and practice of VBM.

2. An understanding of various key drivers of shareholders value creation is required by the managers for decision making.

3. Every company of the cement sector has to make an attempt to understand properly whether the company is value creator or value destroyer or value victim or value pretender. The value victim company should buyback its shares from the market from its cash reserve in the company as is undervalued by the market though it creates economic value. On the other hand, if company is value pretender, then such companies should think of issuing rights shares to existing shareholders of the company as at discount is overvalued by the market participants though the company creates low economic value.

4. The regulatory authorities like SEBI, Company Law Board and institute of Chartered Accountants of India (ICAI) should recognize the need to measure EVA reporting mandatory and accordingly should develop an
uniform and effective method of EVA reporting Standard. Now it is high to time to recognize the importance of EVA metric in Indian organizations.

5. For any organization to work efficiently and smoothly the management of such organization should foresee and identify the risk and take appropriate steps to reduce or eliminate them. Signs of possible value destruction/decrease should be known well in advance and corrective steps should be taken.

6. Companies should identify the magnifying power of business risk like operating risk, financial risk and undertake such risk only to enhance the economic value of the company.

3. SCOPE FOR FURTHER RESEARCH

As our study purely focus on Business Risk and Economic Value Added in financial form. No focus was given on EVA by strategic and corporate governance issues of the respective companies in the cement sector. Therefore, there is a further provision to investigate the impact of strategic and corporate governance issues on the improvement of value creation in select companies. And also, the impact of finance and non-finance issues in an integrated manner on wealth creation can also be studied.