FINANCIAL PERFORMANCE EVALUATION AND INVESTMENT DECISION – CORPORATE VIEW ON CEMENT INDUSTRY

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Abstract
Financial Performance is the snapshot of a concern's position and ability to survive the ever-changing environment. It is the blue print of the financial affairs of the concern and reveals how a business is prospered under the leadership of its management human resources. Profit determines the financial position, Liquidity and solvency of the organization. The present study aimed to know the financial performance of cement companies and investors decision on making investment. Financial Performance serves as a yardstick for judging the competence and efficiency of the management. Investment planning is therefore, a fundamental part of the overall management functions and is an important part of the total budgeting process of investors. Investment is concerned with the purchase and sale of financial assets and an attempt of the investor to make logical decisions about the various alternatives in order to earn suitable return.

Key words: Performance, Liquidity, Cement, Investment, Decision.

Introduction
Today, the success of business enterprises largely depends upon the financial performance of the firm. The importance of financial performance of cement industry can hardly be over emphasized. Much other business failure takes place due to poor financial performance. Hence, financial performance is considered as the lifeblood and the controlling nerve centre of a business. Consistent with maintaining a sound financial position, an evaluation of such performance is doing in order to measure the efficiency of operations or the profitability of the organization and to assess the financial strength as compared with a similarly situated concern. Investment decisions are made by investors and investment managers. Investors usually perform investment analysis by making use of technical analysis, fundamental analysis and judgment. Investment decisions are often supported by decision tools. It is assumed that information structure and the factors in the market systematically affect individuals' investment decisions as well as market outcomes. Investor market behaviour derives from psychological values of decision making to explain why people buy or sell stocks. These factors will focus upon how investors understand and act on information to make investment decisions. In India, the cement industry in the initial stages grew very slowly and the supply struggled to meet the demands. However, the scenario changed drastically after the liberalization period. The cement industry began to grow and since then the supply of cement has always managed to keep pace with its demand. Today, the cement industry in India is one of the most advanced and pioneering sectors in the country, and the cement industry has a huge potential for growth and attracting new investments. The cement industry in India uses the most modern and world-class technology. Also, because India has a high quantity and quality of limestone deposits throughout the country, the cement industry promises huge potential for growth. The government of India has set ambitious plans to increase the production of cement in the country, and to attain the target the government has made huge investments in the sector. The Department of Industrial Policy and Promotion, which falls under the central Ministry of Commerce and Industry, is the agency that is responsible for the development of the cement industry in the country. The agency is actively involved in keeping track of the performance of cement companies in the country and provides assistance and suitable incentives when required by the company.

The department is also involved in framing and administering the industrial policy for foreign direct investments in the sector. Apart from formulating policies, the department also promotes the industry to attract new foreign investments in the sector. The Department of Industrial policy and promotion plays an active role in promoting foreign investment in the cement industry by providing useful information to the investors about the investment climate and opportunities in India. The department also provides advice to prospective investors on various policies and investment procedures. In order to promote investment in the sector, this department has greatly emphasized the development of good transportation facilities to ensure smooth transportation of bulk cement. It also aims to support the investors by providing them with R&D facilities and technological assistance. The cement industry in India has been attracting several top-notch cement companies worldwide, which reflects the fact that this industry holds huge potential for investment. Also, due to the boom in the housing sector world-wide and the increased activity of the development of infrastructure, the demand for cement is set to increase globally. Thus, the investors having nothing to lose and are all set to benefit from investing in India's cement industry. The present study aimed to know the financial performance of cement companies and investors decision on making investment.

Materials and Methods
Vijaya and Rama (2013) Evaluated The working capital management in Cement Industries Limited and examined the management pattern of inventory, liquidity position and receivables management. During the course of investigation it has been found that eight companies are giving more attention to the only liquidity aspects of working capital management and taking more conservative decisions leading to the decline in profitability of the company. The study stated that there is an urgent need to bring about the change in the attitude of the management. They should be more aggressive in working capital management by giving equal weightage to both liquidity and profitability aspects of working capital management. Ultratech Cement Limited has very poor performance compare to other private companies so there is an urgent need to look in to the problems and tone up its efficiency. Madras Cements Limited has shown good performance in very short span as it has been able to maintain its aggressive approach towards the working capital management. Other companies are also required to adopt more aggressiveness in maintaining their current ratio 2:1 and improving their profitability. With the efficient management of working capital, selected companies can utilized their capacity optimally and accelerate economic growth of India by increasing the production of cement at reasonable cost. Sasikala and Balakrishnan (2015) evaluated the problems and prospects of selected cement companies in India. This research article was based on secondary data collected from annual report of cement industries and profile of the industries. Financial analysis is a powerful tool which helps in determining the problems in the operation and financial position of the industries. The scope of the problem and prospects is very wide and broad based; hence this study has analyzed only the financial problems of the company. The study accompanied on problems and prospects of cement companies provided an assessment of problems in liquidity and profitability analysis and prospects of the cement companies based on their balance sheet and profit and loss account. The study concluded that the company should enrich its performance for meeting challenges and exploiting chances in future and helps the management to take financial decisions. The movement and growth of the Ultra Tech, ACC, Ambuja, Shree and Prism companies are favorable in future period.

The validity of any research depends on the systematic method of collecting the data, and analyzing the same in a sequential order. In the present study, extensive uses of both primary and secondary data were made. For collecting the primary data, field survey technique was employed in the study. First-hand information was collected from 200 respondents of Erode district. The respondents were selected on a

stratified random basis from the district. In order to fulfill the objectives set, a sample study was undertaken by using a well-framed questionnaire that was duly filled by the respondents. Respondents with varying background were selected based on the important aspects of their occupation, education, age, area etc. The primary data were supplemented by a spate of secondary sources of data. The secondary data pertaining to the study was gathered from the various. Structural Equation modeling was used for further analysis.

Results and Discussion

Structural Equation Modeling is a very general statistical modeling technique, which is widely used in the behavioural sciences. It can be viewed as a combination of factor analysis and regression or path analysis. The interest in SEM is often on theoretical constructs, which are represented by the latent factors. The relationships between the theoretical constructs are represented by regression or path coefficients between the factors. The structural equation model implies a structure for the co variances between the observed variables, which provides the alternative name covariance structure modeling. However, the model can be extended to include means of observed variables or factors in the model, which makes covariance structure modeling a less accurate name. Structural Equation Modeling provides a convenient framework for statistical analysis that includes several traditional multivariate procedures, for example factor analysis, regression analysis, discriminate analysis, and canonical correlation, as special cases. Structural equation models are often visualized by a graphical path diagram. The statistical model is usually represented in a set of matrix equations.

Chart 1
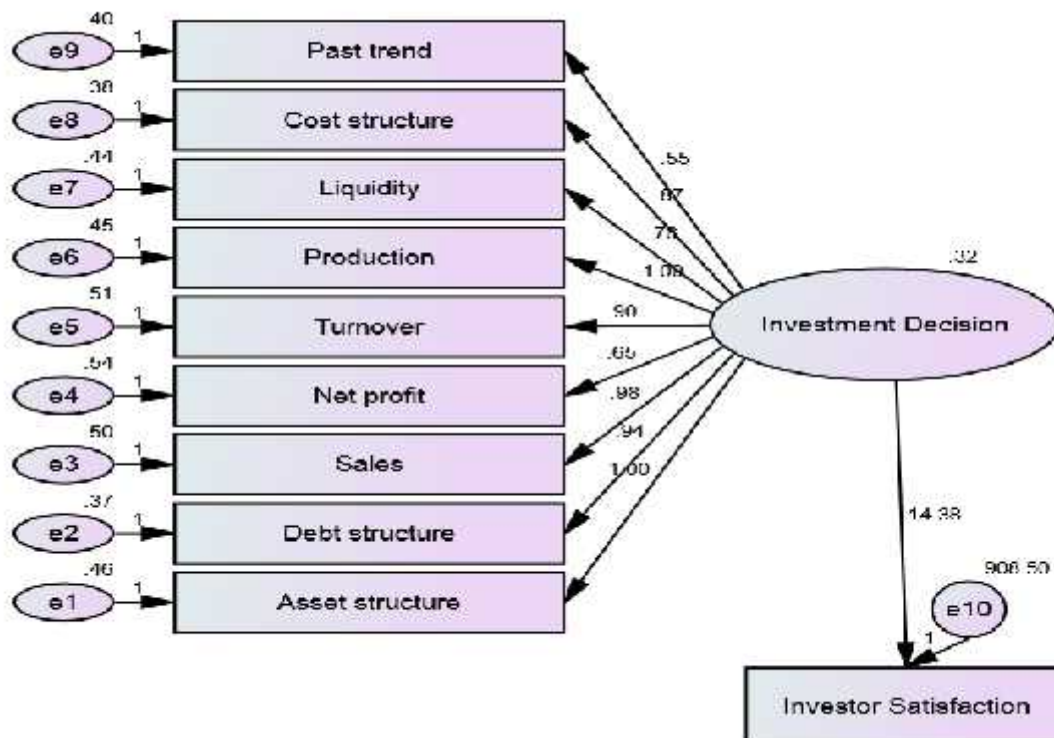
In the above path diagram, the values attached to one-way arrows / directional effects are regression coefficients. The regression coefficients and correlations measure the strength of the relations between

the variables. A regression coefficient of 1.09 for production indicates a very strong relationship with the investment decision of investors on various shares of cement industries.

In structural equation modeling, the confirmatory factor model is imposed on the data. In this case, the purpose of structural equation modeling is twofold. First, it aims to obtain estimates of the parameters of the model, i.e. the factor loadings, the variances and covariances of the factor, and the residual error variances of the observed variables. The second purpose is to assess the fit of the model, i.e. to assess whether the model itself provides a good fit to the data. The ability of SEM to produce a meaningful identification of the correlations between factors is a key strength. In multiple regression analysis, generally assume that the independent variables are correlated as the two-headed arrows between the predictor variables. The residual error in multiple regression analysis is actually an unobserved, latent variable. Note that to fix the loading of the residual error factor to one, to achieve identification. To obtain un-standardized and standardized regression weights, a variance estimate for the residual errors and the squared multiple correlation of the dependent variable 'investors decision'. In this case, the calculated value of chi-square test is 64.629 on 35 degrees of freedom, which gives a p-value of 0.02 and this model is a good fit for the analysis. The real strength of SEM is to estimate more complicated path models, with intervening variables between the independent and dependent variables, and latent factor as well.

Table - 1 Regression Weights

Measured Variable		Latent Variable	Estimate	S.E.	C.R.	P
Past trend	<---	Investment decision	.554	.101	5.472	1%
Cost structure	<---	Investment decision	.869	.120	7.268	1%
Liquidity	<---	Investment decision	.761	.117	6.498	1%
Production	<---	Investment decision	1.092	.141	7.757	1%
Turnover	<---	Investment decision	.902	.131	6.870	1%
Net profit	<---	Investment decision	.647	.118	5.481	1%
Sales	<---	Investment decision	.980	.136	7.223	1%
Debt structure	<---	Investment decision	.935	.123	7.585	1%
Asset structure	<---	Investment decision	1.000			
Investor satisfaction	<---	Investment decision	14.381	4.334	3.318	1%

The above table shows the regression coefficient of the exogenous variables. It is noted that the critical ratio of past trend, cost structure, liquidity, production, turnover, net profit, sales and debt structure is above the table value 2.962 and it is significant at 1 percent level. Among the selected ten variables, past trend, cost structure, liquidity, production, turnover, net profit, sales and debt structure are the most influenced factors for investment decision.

Table – 2 Cmin

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	20	64.629	35	.002	1.847
Saturated model	55	.000	0		
Independence model	10	500.761	45	.000	11.128

CMIN is a chi-square statistics comparing the default model and the independence model with the saturated model. The above table infers that the default model has been associated as 1.847 percent with

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saturated model and other side, the independence model has been associated as 11.128 percent with saturated model.

Table – 3 Baseline Comparisons

Model	NFI	RFI	IFI	TLI	CFI
Default model	.871	.834	.936	.916	.935
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

From the above table, it is noted that the model fit indices are good fit with the evidence of NFI (0.871) and CFI (0.935) which is greater than 0.8.

Table – 4 RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.065	.039	.090	.150
Independence model	.226	.208	.244	.000

It could be noted from the above table that the RMSEA value is 0.065 which is lesser than 0.08 and the model resulted as good fit.

Table – 3 GFI AND AGFI

Model	RMR	GFI	AGFI	PGFI
Default model	.621	.941	.908	.599
Saturated model	.000	1.000		
Independence model	1.799	.517	.409	.423

From the above table, it is noted that the model fit indices are good fit with the evidence of GFI (0.941) and AGFI (0.908) which is greater than 0.9.

Findings
From the path diagram, the measured variables of past trend, cost structure, liquidity, production, turnover, net profit, sales and debt structure, asset structure and investor satisfaction with the latent variable of investment decision on cement industries securities are having positive relationship and also significant at 1 percent level. The analysis of the model, from the perspective of the investment decision on securities of cement industries, suggests that the financial indicators such as past trend, cost structure, liquidity, production, turnover, net profit, sales and debt structure, asset structure and investor satisfaction are showing significant impact on the investment decision on securities of cement industries.

Suggestions and Conclusion
Security markets occupy an important position in the national economy of a country. It facilitates the mobilization of the savings of individuals and pools them into reservoir of capital which can be deployed for the economic development of a country. The key to a successful financial plan is to keep apart a larger amount of savings and invest it intelligently, by using a longer period of time. Most of the investors make a small size of investment in collateral securities of cement industries because information structure, financial performance of cement industry and the factors in the market systematically influence individuals' investment decisions as well as market outcomes. Majority of the investors are quite unaware of corporate investment avenues like equity, mutual funds, debt securities and deposits. They are highly aware of traditional investment avenues like real estate, bullion, bank

deposits, life insurance schemes and small saving schemes. Hence, cement industries should work to determine its targeted financial structure parameters, in terms of its ingredient elements and the proportion of every element in it. Through that it works to achieve its strategic objective represented by increase or maximize profit than industry average. This needs that there should be equilibrium between the expected return, which resulted financial structure and the risks this return is subject to. The cement industry should take immediate steps to strengthen the proportion of current assets are else it will prove to be dangerous for the short-term liquidity position.

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