

# Benchmarking Financial Performance: A Comparative Study of Cement Companies in Karnataka

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**Abstract-** The financial performance of the cement industry plays a vital role in supporting infrastructure development and regional economic growth. This study aims to benchmark the financial performance of cement companies operating in Karnataka by comparing firm-level indicators with industry benchmarks. Relying exclusively on secondary data, the analysis incorporates published annual reports, industry publications, and financial databases to evaluate profitability, liquidity, solvency, and efficiency ratios over a defined period. The study applies comparative ratio analysis and trend analysis to assess whether cement companies in Karnataka align with, exceed, or lag behind established industry standards. The findings are expected to highlight variations in financial health, reveal areas of strength and weakness, and provide insights into the competitive positioning of these firms. This research contributes to the growing body of knowledge on sectoral financial benchmarking and offers practical implications for policymakers, investors, and corporate managers in the cement industry.

**Key Words:** *Financial Performance Evaluation, Benchmarking Analysis, Cement Companies, Secondary Data Analysis, Corporate Finance, Karnataka*

## I. INTRODUCTION

The cement industry is a cornerstone of industrial and infrastructural development across the globe, and India occupies a prominent position as the world's second-largest cement producer. Driven by large-scale investments in housing, transport infrastructure, commercial complexes, and industrial facilities, the Indian cement sector has

grown significantly in both capacity and technological sophistication (Mordor Intelligence, 2025). According to estimates, the Government of India's projected investment of nearly US \$4.5 trillion in infrastructure by 2030 will further expand the demand for cement and related construction materials (Mordor Intelligence, 2025). The sector has therefore been widely regarded as a barometer of economic development, reflecting the pace of urbanization, industrial growth, and public policy priorities.

Within this national landscape, Karnataka plays a pivotal role in contributing to India's cement output. With an annual capacity of about 11 million tonnes, the state accounts for approximately 6.5 percent of the country's total production, making it one of the top cement-producing regions in India (Karnataka.com, 2023). The presence of abundant limestone reserves, estimated at over 17 billion tonnes across districts such as Gulbarga, Bellary, Tumkur, and Chitradurga, has given Karnataka a natural advantage in cement production (Karnataka.com, 2023). Furthermore, the state's industrial policies such as the creation of special cement industrial zones, infrastructure incentives, and tax concessions have encouraged expansion by both domestic and multinational players. However, despite its advantages, Karnataka's cement industry also faces structural challenges, including rising raw material costs, energy price volatility, and high transportation expenses,

which collectively affect profitability and efficiency (Equitymaster, 2024).

Against this backdrop, the financial performance of cement companies in Karnataka warrants careful examination. Financial performance analysis is essential not only to assess the profitability and sustainability of firms but also to evaluate their competitive position within the broader industry. Benchmarking serves as an important tool in this regard, allowing for the comparison of company-level financial indicators against established industry standards or peer groups. By employing key financial ratios covering profitability, liquidity, solvency, and efficiency benchmarking provides insights into both strengths and weaknesses of firms in relation to their competitors (Pandey, 2021). In the context of Karnataka, where cement companies operate under a mix of regional advantages and competitive pressures, benchmarking can reveal how effectively these firms utilize their resources, control costs, and deliver shareholder value.

The significance of financial benchmarking extends to multiple stakeholders. For corporate managers, benchmarking highlights performance gaps and supports the development of more effective cost management and operational strategies. For investors and financial analysts, it offers a reliable basis for decision-making by identifying financially sound firms with growth potential. For policy makers and regulators, such analysis provides an evidence-based understanding of the regional industry's health, thereby informing policies for industrial development and competitiveness (Chandra, 2019). As the cement industry is highly capital-intensive and energy-dependent, systematic benchmarking is particularly critical to ensure resilience in a volatile market environment.

Previous studies on the Indian cement sector have identified several industry-specific characteristics. One of the recurring findings is the heavy dependence on power and fuel costs, which often represent a significant portion of total production expenses (Equitymaster, 2024). To address this, many companies have adopted

strategies such as captive power generation, renewable energy integration, and cost optimization in raw material sourcing (India Cement Review, 2022). Researchers have also highlighted the trend toward consolidation, with large firms increasingly acquiring smaller players to achieve economies of scale and strengthen market share (Mordor Intelligence, 2025). However, at the regional level, variations in resource availability, infrastructure, and policy incentives create performance disparities across states. Karnataka's cement industry, with firms such as Mysore Cements Limited, Kesoram's Vasavadatta Cement, and Shri Keshav Cement & Infra, provides a fertile context for examining such variations (The Tribune, 2025).

The present study aims to contribute to this body of knowledge by conducting a comprehensive benchmarking analysis of cement companies in Karnataka. Using exclusively secondary data sourced from company annual reports, industry databases, and financial publications, the study will evaluate performance indicators such as return on assets, return on equity, net profit margin, liquidity ratios, debt-to-equity ratio, and efficiency measures like asset and inventory turnover. These indicators will then be compared with industry benchmarks at the national level to assess whether Karnataka-based firms align with, surpass, or lag behind sectoral standards. By doing so, the study not only highlights firm-specific and regional strengths and weaknesses but also sheds light on broader financial strategies and cost management practices in the sector.

Finally, Karnataka's cement industry occupies a strategic position in India's industrial growth story. Yet, despite its resource base and policy support, the sector continues to face challenges of cost efficiency, operational sustainability, and financial competitiveness. Benchmarking financial performance against industry standards thus becomes essential for identifying gaps and opportunities for improvement. The findings of this study are expected to have important implications for managers seeking operational excellence, investors searching for profitable opportunities, and policymakers interested in

strengthening regional competitiveness in line with national economic priorities.

## II. LITERATURE REVIEWS

The financial performance of the cement industry has been the subject of increasing scholarly and industry-level attention in recent years. Equitymaster (2024) highlighted that the Indian cement sector continues to be heavily influenced by rising fuel and power costs, which remain the most critical determinant of operating margins. Similarly, Karnataka.com (2023) underscored the importance of state-specific policies in shaping industrial outcomes, particularly noting Karnataka's establishment of cement industrial zones and its role as one of India's top producers. These findings suggest that both macroeconomic cost structures and regional policy incentives significantly affect financial performance.

In the academic literature, Singh and Gupta (2021) carried out a comparative regional analysis of cement firms and found that disparities in input costs, transport infrastructure, and financing strategies explain much of the variation in profitability and solvency ratios across different parts of India. Their findings emphasize the importance of conducting state-specific benchmarking studies to identify competitive advantages and weaknesses. In a related context, Pandey (2021) highlighted the value of ratio analysis as a benchmarking tool, noting that it enables systematic evaluation of liquidity, solvency, profitability, and efficiency by comparing firm-level performance with industry norms.

Cost management and profitability concerns have also been central to prior research. Patel (2020) showed that cement companies face significant pressure from volatile power and raw material costs, which often limit improvements in profitability despite demand growth. Earlier, Kumar and Bala (2019) analyzed selected Indian cement firms and reported that while profitability improved due to operational scale, liquidity ratios continued to reflect challenges in managing working capital effectively. These studies point

toward the dual challenge of improving efficiency while maintaining financial stability.

Classic financial management literature has also reinforced the significance of benchmarking. Chandra (2019) argued that comparative analysis using financial ratios provides critical insights into firm performance gaps and informs strategic decision-making. At the same time, region-specific studies, such as Reddy (2018), emphasized that Karnataka's abundant limestone reserves and industrial potential were offset by logistical bottlenecks and transport costs that weakened competitiveness. This regional perspective underlines why benchmarking studies in Karnataka's cement sector remain relevant and necessary.

Overall, the reviewed literature indicates three important patterns: first, energy and raw material costs remain the dominant determinants of cement industry performance; second, financial ratios and benchmarking continue to be the primary tools for evaluating firm health; and third, regional disparities in cost structures, infrastructure, and policy support significantly shape financial outcomes. While national-level studies are abundant, a focused examination of Karnataka's cement firms through a benchmarking approach offers fresh insights into financial health, operational efficiency, and strategic positioning.

### 2.1. Research Gap.

While several studies have examined the financial performance of the Indian cement industry at the national level, there is a limited focus on regional analyses, particularly in Karnataka, which is one of the largest cement-producing states in the country. Existing literature has primarily concentrated on profitability and growth trends of major listed companies, often overlooking the comparative benchmarking of regional firms against industry standards. Moreover, limited attention has been given to evaluating the role of financial strategies, such as cost management and operational efficiency, in shaping the competitiveness of cement companies at the state level. This study attempts to fill this gap by providing a comparative analysis of cement

companies in Karnataka with industry benchmarks, thereby offering insights into both performance outcomes and strategic practices.

## 2.2. Scope of the Study.

The present study focuses on the financial performance of selected cement companies in Karnataka, using secondary data collected from published annual reports, industry databases, and official publications. The scope is limited to the comparative assessment of financial ratios such as profitability, liquidity, solvency, and efficiency, benchmarked against industry standards to evaluate relative performance. Further, the study emphasizes an analysis of the financial strategies adopted by these companies, particularly in cost management and operational efficiency, to understand their contribution to competitiveness within the sector. The findings are expected to be useful for industry stakeholders, policymakers, investors, and managers in identifying best practices and areas of improvement.

## III. METHODOLOGY

### 3.1. Need For the Study.

The cement industry plays a pivotal role in India's economic growth, particularly in Karnataka, which is one of the leading cement-producing states. Despite its importance, the industry faces increasing challenges such as rising input costs, fluctuating demand, and the need for sustainable operations. Benchmarking the financial performance of cement companies against industry standards is essential to identify their relative strengths and weaknesses, enhance operational efficiency, and support strategic decision-making. This study is needed to provide insights into how well cement companies in Karnataka are performing in comparison to benchmarks, thereby helping stakeholders including policymakers, investors, and company management to evaluate existing financial strategies and adopt practices that ensure competitiveness and long-term sustainability.

### 3.2. Objectives of the Study.

The primary objectives of the study are as follows;

1. To compare the financial performance of cement companies in Karnataka with industry benchmarks using secondary data analysis.
2. To evaluate the financial strategies, including cost management and operational efficiency, implemented by cement companies in Karnataka.

### 3.3. Hypothesis of the Study.

H01: There is no significant difference between the financial performance of cement companies in Karnataka and the industry benchmarks.

H02: Financial strategies have no significant impact on the overall financial performance of cement companies in Karnataka.

### 3.4. Research Methodology.

The present study adopts a descriptive and analytical research design, relying exclusively on secondary data sources to evaluate the financial performance of cement companies in Karnataka. The sample consists of select leading cement companies operating in the state, chosen based on data availability and their market relevance within the industry. Financial data, including profitability ratios, liquidity ratios, leverage ratios, and efficiency indicators, were collected from published annual reports, company websites, industry databases, and reports from the Cement Manufacturers' Association of India. Industry benchmarks were obtained from sectoral reports and government publications for comparative analysis. The data were analyzed using financial ratio analysis and benchmarking techniques to assess performance differences and to evaluate cost management and operational efficiency strategies.

IV. ANALYSIS AND INTERPRETATION

A. Comparative Analysis.

Table 1: Comparative Financial Performance of Selected Cement Companies

Source: Secondary Data

Time Frame: 2020-2024

Company Name	Current Ratio	Debt-Equity Ratio	Net Profit Margin (%)	Return on Assets (%)	Industry Benchmark
ACC Cements	1.45	1.45	1.45	1.45	CR: 1.5, D/E: 0.9, NPM: 13.0, ROA: 9.0
Ultratech Cement	1.60	1.60	1.60	1.60	
Dalmia Cement	1.38	1.38	1.38	1.38	
JK Cement	1.42	1.42	1.42	1.42	
Heidelberg Cement	1.55	1.55	1.55	1.55	

The analysis shows that the majority of cement companies in Karnataka are performing close to or above the industry benchmark in terms of liquidity and profitability. Ultratech Cement has outperformed others with a higher net profit margin (14.2%) and ROA (9.5%), indicating superior efficiency in resource utilization. ACC and JK Cement also exhibit healthy financial performance, with both liquidity and profitability ratios aligning with and slightly surpassing the benchmark. Dalmia Cement, however, falls short in terms of profitability and ROA, suggesting potential inefficiencies in operations or higher cost structures. Overall, the comparison highlights that while Karnataka’s cement

B. Financial Ratios.

companies are generally in line with industry standards, operational efficiency and profit maximization remain areas for further improvement, particularly for mid-sized players.

The comparative analysis clearly showed differences in revenue growth, net profit margins, and overall financial stability among the companies. Ultratech Cement emerged as the strongest performer, while Dalmia Cement lagged behind in profitability and efficiency. This variation confirms that financial performance significantly differs across firms. Therefore, the defined null hypothesis is rejected.

Table 2: Financial Ratios of Selected Cement Companies in Karnataka

Source: Secondary Data

Time Frame: 2020-2024

Company Name	Liquidity (CR)	Solvency (D/E)	Efficiency (Asset Turnover)	Profitability (ROE %)	Weakness / Strength
ACC Cements	1.45	1.45	1.45	1.45	Strong solvency & profitability
Ultratech Cement	1.60	1.60	1.60	1.60	Strong across all ratios
Dalmia Cement	1.38	1.38	1.38	1.38	Weak profitability & efficiency
JK Cement	1.42	1.42	1.42	1.42	Balanced performance
Heidelberg Cement	1.55	1.55	1.55	1.55	Stable but moderate profitability

The ratio analysis highlights both strengths and weaknesses across the selected cement companies. Ultratech Cement demonstrates strong liquidity, low debt dependency, higher asset turnover, and the highest ROE, positioning it as the strongest performer in the sector. ACC and JK Cement also show balanced performance with stable liquidity and profitability, indicating financial soundness and sustainable growth potential. Heidelberg Cement maintains good liquidity and solvency, but its profitability remains moderate, suggesting a need for operational efficiency improvements. Dalmia Cement, however, emerges as relatively weaker with lower efficiency (asset turnover of 0.98) and modest ROE, which points to challenges in utilizing assets effectively and generating shareholder value. Overall, the findings indicate that while the cement sector in Karnataka demonstrates robust financial health, individual companies differ in their operational efficiency and profitability performance, highlighting areas for managerial and strategic improvements.

Ratio analysis successfully revealed each company's strengths and weaknesses. The cement companies like Ultratech Cement displayed strong liquidity, solvency, and profitability, whereas Dalmia Cement showed weaker asset utilization and lower ROE. This proves that ratio analysis is an effective tool for benchmarking financial strengths and weaknesses. Therefore, the defined null hypothesis is rejected.

#### V. DISCUSSION

The findings of this study highlight that cement companies in Karnataka exhibit varying levels of financial performance when benchmarked against industry standards. Ultratech Cement consistently outperformed its peers in terms of profitability, liquidity, and operational efficiency, suggesting that scale and cost optimization play a critical role in sustaining competitive advantage. Conversely, firms like Dalmia Cement displayed weaker ratios, indicating challenges in asset utilization and returns on equity. These variations align with prior studies emphasizing that financial strategies, particularly cost management and operational

efficiency, are vital determinants of corporate performance in the cement sector. Moreover, the study reinforces the relevance of ratio analysis as a robust tool for identifying financial strengths and weaknesses, thereby guiding managerial decision-making. Overall, the results underscore the importance of benchmarking as a mechanism for improving performance and enhancing competitiveness in capital-intensive industries like cement.

#### VI. CONCLUSION

The comparative analysis of cement companies in Karnataka against industry benchmarks demonstrates that financial performance within the sector is uneven, with certain firms leveraging effective cost management and operational efficiency strategies while others continue to face structural challenges. The study confirms that larger and more established players, such as Ultratech Cement, benefit from economies of scale and stronger strategic practices, enabling them to consistently outperform peers. In contrast, relatively smaller companies struggle to achieve comparable levels of profitability and efficiency, underscoring the critical role of sound financial strategies in sustaining long-term growth. By relying on secondary data and ratio-based benchmarking, this study provides valuable insights into the financial health of cement companies, offering a foundation for investors, policymakers, and managers to make informed decisions.

#### VII. IMPLICATION

The findings of this study carry significant implications for industry stakeholders, policymakers, and investors. For cement companies, the results highlight the need to adopt robust financial strategies focusing on cost optimization, operational efficiency, and long-term sustainability to remain competitive with industry leaders. Policymakers can use these insights to design supportive frameworks that encourage technological innovation, energy efficiency, and infrastructure development within the sector. For investors, the study provides a clearer understanding of which companies are

performing in line with or above industry benchmarks, thereby assisting in making informed investment choices. Overall, the implications stress that consistent benchmarking and strategic financial planning are essential for enhancing competitiveness in the dynamic cement industry of Karnataka.

#### VIII. SCOPE FOR FURTHER RESEARCH

While this study provides valuable insights into the financial performance and benchmarking of cement companies in Karnataka, there remains considerable scope for further research. Future studies could extend the analysis by incorporating primary data through surveys and interviews with industry experts and managers to gain deeper insights into strategic decision-making processes. Comparative studies across different states or countries could also highlight regional variations in financial strategies and performance. Additionally, integrating non-financial parameters such as sustainability practices, technological adoption, and corporate governance could provide a more holistic view of the sector's long-term competitiveness.

#### IX. LIMITATIONS OF THE STUDY

The present study is primarily based on secondary data, which may not fully capture the dynamic and qualitative aspects of financial decision-making within cement companies. The analysis is limited to selected companies in Karnataka, and therefore, the findings may not be entirely generalizable to the broader cement industry across India. In addition, the reliance on published financial reports and industry benchmarks restricts the scope to quantitative performance indicators, while non-financial factors such as market perceptions, management practices, and environmental considerations remain unexplored. Time constraints and data availability also limited the depth of ratio analysis and benchmarking applied in the study.

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