

**MEASURING SHAREHOLDERS RETURNS OF SELECTED  
INFRASTRUCTURE COMPANIES IN INDIA**

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## MEASURING SHAREHOLDERS RETURNS OF SELECTED INFRASTRUCTURE COMPANIES IN INDIA

### Abstract

*Infrastructure sector is plays significant role for the growth and development of Indian economy. Infrastructure sector is extremely liable for driving nation's overall enlargement and have the benefit of severe focus from Government for start up or new policies that would make sure time-bound formation of top class infrastructure in the country. This sector comprises Electricity, power; provide water facilities, roads and highways, bridges, railways, telecommunications and urban area infrastructure development. The present research paper attempts to measuring shareholders returns of selected Infrastructure companies in India during the period from 2013-14 to 2017-18 through ratio analysis. The statistical tools used for analysis are mean, standard deviation, one way Anova test etc.*

**Key Words:** *Infrastructure Companies, Financial Performance, Ratio Analysis*

## Measuring Shareholders Returns of Selected Infrastructure Companies in India

### INTRODUCTION

Improved movement to enlarge infrastructure in the country is magnetizing both domestic and international players. Private sector is emerging as a key player across various infrastructure fragments, ranging from roads and communications to power and airports. In order to boost the construction of buildings in the country, the Government of India has decided to come up with a single window clearance facility to accord speedy approval of construction projects.

The infrastructure sector has become the leading focus area of the Government of India. Under Union Budget 2019-20, US\$ 63.20 billion was distributed to this sector. In the road's sector, the government's policy to increase private sector participation has provide evidence to be a benefit for the infrastructure industry with a large number of private players entering the business through the public-private partnership (PPP) model.

According to World Bank's Logistics Performance Index (LPI), India got secured 44<sup>th</sup> position out of 167 countries in 2018.

The Indian Government is projected to invest largely in this sector, primarily in highways, renewable energy and urban transportation etc.

India has a requisite of investment worth Rs 50 trillion (US\$ 777.73 billion) in infrastructure by 2022 for the purpose of sustainable development in all over the country.

### LITERATURE REVIEW

#### 1. Prasad Hanuman & Kapil Shrimal (2015)

In this research paper researcher examines the relationship between market value added and financial variables and impact on MVA. In this research, study researches have selected 23 infrastructural companies of CNX Infrastructure Index for five years from 2009-10 to 2013-14. The output of study focused that positive relationship between financial performance variables and market value added for selected infrastructural companies in India during the research period.

#### 2. Gupta N. & Gupta H., (2014)

The purpose this study is to examine how the capital structure influences the construction company's financial performance with the help of various dependent and

independent variables during five years from 2008-09 to 2012-13. In this research paper researchers have taken 20 construction companies which are listed in various stock exchanges in India. The result reflects that favorable and positive relationship between the capital structure and financial performance of the selected construction companies in India during the research period.

### **3. Nishane Niranjana C. & Prof. Bhalerao Nikhil V. (2016)**

In this research study, researchers have take help of various financial ratios and analyses for how the company should work on their non-performance in certain area, which would help them in taking certain procedures for their future advancement and steadiness.

#### **RESEARCH GAP**

While going through the related literatures, it is observed that a study on measuring shareholders returns of Selected Infrastructure Companies in India is very large but top company's evaluation in recent times was mission. The study is contemporary in nature. Hence, the researcher has made an attempt to measure the shareholders return in the context of financial performance of Selected Infrastructure Companies in India.

#### **OBJECTIVE OF STUDY**

- ✓ To measure shareholders return of selected Infrastructure Companies by determining various financial ratios.

#### **RESEARCH METHODOLOGY**

In the present study, descriptive research design was used. The present study is intended for measuring shareholders return of selected infrastructure companies in India. The time period for which the companies are studies is five years from 2013-14 to 2017-18. In order to study infrastructure sector, large scale companies of industry were chosen. These were:

1. Larsen & Tubro Infrastructure Projects Limited
2. Reliance Infrastructure Limited
3. IRB Infrastructure Developers Limited
4. Nagarjuna Construction Company Limited
5. DLF Limited

In order to reach the purpose of study, five profitability parameters were chosen for the study. These were:

1. Operating Profit Margin
2. Net Profit Margin
3. Return on Net Worth
4. Current Ratio
5. Earnings Per Share

The necessary data were sourced through the websites of Money control and the annual reports of the companies given on companies' website. Descriptive statistics and ANOVA test was used to carry out statistical analysis and 5 % significance level was used.

### HYPOTHESES

H<sub>01</sub>: The Operating Profit Margin ratio does not differ significantly among Selected Infrastructure companies in India.

H<sub>02</sub>: The Net profit ratio does not differ significantly among selected Infrastructure companies in India.

H<sub>03</sub>: The return on net worth ratio does not differ significantly among selected Infrastructure companies in India.

H<sub>04</sub>: The current ratio does not differ significantly among selected Infrastructure companies in India.

H<sub>05</sub>: The earnings per share ratio does not differ significantly among selected Infrastructure companies in India.

### DATA ANALYSIS AND INTERPRETATION

**Table No. 1 Operating Profit Margin Ratio (In %)**

Company Name	Year						Avg.	SD
	2013-14	2014-15	2015-16	2016-17	2017-18			
L & T	11.77	11.37	10.32	9.86	9.97	<b>10.66</b>	<b>0.86</b>	
Reliance	16.82	18.6	21.55	22.62	29.23	<b>21.76</b>	<b>4.77</b>	
IRB	10.27	10.19	8.44	10.9	10.85	<b>10.13</b>	<b>1.00</b>	
NCC	6.61	7.82	8.86	8.68	11.3	<b>8.65</b>	<b>1.73</b>	
DLF	51.69	54.2	41.67	42	35.12	<b>44.94</b>	<b>7.86</b>	
<b>Avg.</b>	<b>19.43</b>	<b>20.44</b>	<b>18.17</b>	<b>18.81</b>	<b>19.29</b>	-	-	
<b>SD</b>	<b>18.40</b>	<b>19.30</b>	<b>14.20</b>	<b>14.12</b>	<b>11.95</b>	-	-	

The above Table No.1 presents the Operating profit margin ratio of selected infrastructure companies of India during the study period from 2013-14 to 2017-18.

We can observe that DLF Ltd. had the highest average of 44.94 % and second highest company has Reliance Infrastructure Ltd. This was 21.76 %. The NCC ltd. had found the lowest average this was only 8.65 %. The standard deviations of IRB limited was found lowest which indicates no many fluctuations in operating profit margin ratio during the study period.

**Table No. 2 Net Profit Margin Ratio (In %)**

Company Name	Year						Avg.	SD
	2013-14	2014-15	2015-16	2016-17	2017-18			
L & T	9.7	8.86	8.88	8.29	7.23	<b>8.59</b>	<b>0.91</b>	
Reliance	13.98	14.55	19.93	14.75	18.55	<b>16.35</b>	<b>2.70</b>	
IRB	13.02	7.07	11.74	5.95	15.31	<b>10.62</b>	<b>3.98</b>	
NCC	0.66	1.34	2.88	2.85	3.79	<b>2.30</b>	<b>1.27</b>	
DLF	22.08	31.16	41.32	16.11	11.95	<b>24.52</b>	<b>11.84</b>	
<b>Avg.</b>	<b>11.89</b>	<b>12.60</b>	<b>16.95</b>	<b>9.59</b>	<b>11.37</b>	-	-	
<b>SD</b>	<b>7.75</b>	<b>11.40</b>	<b>14.94</b>	<b>5.69</b>	<b>5.96</b>	-	-	

The above Table No. 2 displays the net profit margin ratio of selected infrastructure companies of India during the study period from 2013-14 to 2017-18. We can observe that DLF Ltd. had the highest average of 24.52 % and second highest company has Reliance Infrastructure Ltd. This was 16.35 %. The NCC ltd. had found the lowest average this was only 2.30 %. The standard deviations of L & T limited was found lowest which indicates no many fluctuations in net profit margin ratio during the study period.

**Table No. 3 Return on Net Worth Ratio (In %)**

Company Name	Year						Avg.	SD
	2013-14	2014-15	2015-16	2016-17	2017-18			
L & T	16.32	13.63	13.04	11.89	10.99	<b>13.17</b>	<b>2.03</b>	
Reliance	7.78	7.41	9.32	6.13	7.57	<b>7.64</b>	<b>1.14</b>	
IRB	16.69	6.43	13.92	8.11	17.69	<b>12.57</b>	<b>5.06</b>	
NCC	1.6	3.48	7.36	6.55	6.76	<b>5.15</b>	<b>2.49</b>	
DLF	3.16	5.45	10.6	4.06	2.53	<b>5.16</b>	<b>3.23</b>	
<b>Avg.</b>	<b>9.11</b>	<b>7.28</b>	<b>10.85</b>	<b>7.35</b>	<b>9.11</b>	-	-	
<b>SD</b>	<b>7.12</b>	<b>3.84</b>	<b>2.68</b>	<b>2.92</b>	<b>5.66</b>	-	-	

The above Table No. 3 reveals the return on net worth ratio of selected infrastructure companies of India during the study period from 2013-14 to 2017-18. We can observe that L & T Ltd. had the highest average of 13.17 % and second highest company has IRB Ltd. This was 12.57 %. The NCC ltd. had found the lowest average this was only

5.15 %. The standard deviations of Reliance Infrastructure limited was found lowest which indicates no many fluctuations in return on net worth ratio during the study period.

**Table No. 4 Current Ratio (In %)**

Company Name	Year						
	2013-14	2014-15	2015-16	2016-17	2017-18	Avg.	SD
L & T	1.33	1.34	1.35	1.37	1.32	<b>1.34</b>	<b>0.02</b>
Reliance	0.96	1	1.1	0.69	0.7	<b>0.89</b>	<b>0.19</b>
IRB	1.21	1.25	1.11	0.69	0.61	<b>0.97</b>	<b>0.30</b>
NCC	0.85	1	1.01	1.04	1.2	<b>1.02</b>	<b>0.12</b>
DLF	1.64	1.87	1.94	1.4	2.42	<b>1.85</b>	<b>0.38</b>
<b>Avg.</b>	<b>1.20</b>	<b>1.29</b>	<b>1.30</b>	<b>1.04</b>	<b>1.25</b>	-	-
<b>SD</b>	<b>0.31</b>	<b>0.36</b>	<b>0.38</b>	<b>0.35</b>	<b>0.72</b>	-	-

The above Table No. 4 portrays the current ratio of selected infrastructure companies of India during the study period from 2013-14 to 2017-18. We can observe that DLF Ltd. had the highest average of 1.85 % and second highest company has L & T Ltd. This was 1.34 %. The Reliance Infrastructure limited had found the lowest average this was only 0.89 %. The standard deviations of L & T limited was found lowest which indicates no many fluctuations in current ratio during the study period.

**Table No. 5 Earnings per Share Ratio (In Rs.)**

Company Name	Year						
	2013-14	2014-15	2015-16	2016-17	2017-18	Avg.	SD
L & T	59.26	54.39	57.02	58.46	38.44	<b>53.51</b>	<b>8.63</b>
Reliance	60.38	58.31	75.51	48.99	63.29	<b>61.30</b>	<b>9.58</b>
IRB	8.67	3.94	9.24	5.78	12.64	<b>8.05</b>	<b>3.35</b>
NCC	1.58	2.01	4.32	4.06	4.77	<b>3.35</b>	<b>1.45</b>
DLF	2.96	5.28	8.39	3.34	2.05	<b>4.40</b>	<b>2.52</b>
<b>Avg.</b>	<b>26.57</b>	<b>24.79</b>	<b>30.90</b>	<b>24.13</b>	<b>24.24</b>	-	-
<b>SD</b>	<b>30.47</b>	<b>28.87</b>	<b>32.99</b>	<b>27.24</b>	<b>26.14</b>	-	-

The above Table No. 5 indicates the earnings per share ratio of selected infrastructure companies of India during the study period from 2013-14 to 2017-18. We can observe that Reliance Infrastructure limited had the highest average of 61.30 Rs. and second highest company has L & T Ltd. This was 53.51 Rs. The NCC ltd. had found the lowest average this was only 3.35 Rs. The standard deviations of NCC limited was found lowest which indicates no many fluctuations in earnings per share ratio during the study period.

**Table No. 6 Hypothesis Testing****One Way Anova Test**

<b>Ratios</b>	<b>F</b>	<b>Sig.</b>	<b>Ho</b>	<b>Remarks</b>
Operating Profit Margin	0.014	1.000	Accepted	No Significant Difference
Net Profit Margin	0.389	0.814	Accepted	No Significant Difference
Return on Net Worth	0.485	0.747	Accepted	No Significant Difference
Current ratio	0.286	0.883	Accepted	No Significant Difference
Earnings per share	0.047	0.995	Accepted	No Significant Difference

The objective of employing One way Anova test is to test whether the performance of all selected infrastructure companies in India differ significantly across the study period from 2013-2017. The table no. 6 comprehends the results of all Anova tests.

We can observed in above mention that significance values of all the variables are greater than 0.05. That means we cannot reject the null hypothesis it means we accept the null hypothesis. So there is no significant difference in all the five variables of selected Infrastructure companies in India.

**Major Findings and Conclusion**

The present research study reveals that there is no significant difference in the performance of the selected Infrastructure companies in India in terms of shareholders return and financial performance during the study period.

From the above discussion and analysis it was found that the performance of DLF limited, Reliance Infrastructure limited and L & T limited have better compared to IRB Infrastructure Developers Limited and Nagarjuna Construction Company limited.

The study period taken in sample was quite challenging for the infrastructure sector and Indian economy in all. The financial strength plays a considerable role in the flourishing management of a firm. The above analysis and discussion practically expose that operating profit margin ratio, net profit margin ratio, return on net worth ratio , current ratio and earnings per share ratio have no significant effect on the financial performance of the selected infrastructure companies during the study period from 2013-14 to 2017-18.



Although, financial performance of the selected infrastructure companies in India during the study period is satisfactory. During the period of study there were a few ups and downs in the financial position but it did not affect the operations of the company to a great extent. If the infrastructure Industry has to perform well, it has to invest more capital and has to do more works, only then it will improve its performance level.

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