

A STUDY ON FINANCIAL PERFORMANCE ANALYSIS ON COAL INDIA LIMITED**MISS. HEMADARSHINI J.P**

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ABSTRACT

In this project we are looking at the Financial Performance Analysis in a core sector industry. Balance sheet review of the last five years along with the changes in the component wise analysis of Current Asset and Current Liabilities to identify the causes of changes, with trend analysis and comparative Balance sheet for a term of five years covering a case study of a company to establish "The story of revival of a sick company". In the words of Myers, "Financial Performance Analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trends of these factors as shown in a series of statements." The purpose of financial analysis is to diagnose the information content in financial statements so as to judge the profitability and financial soundness of the firm. In this project we will perform the financial analysis of Coal India Limited we will go through the financial statements of the company to diagnose financial soundness.

Keywords: Annual report and Accounts, Versatile Ratios, Trend analysis, Comparative balance sheet**I. INTRODUCTION TO THE STUDY**

FINANCIAL PERFORMANCE ANALYSIS is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet profit and loss account.

**COAL INDIA LIMITED**
(A Govt. of India Undertaking)
(A Maharatna Company)

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period.

Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. The financial analyst program provides vital methodologies of financial analysis.

OBJECTIVE OF FINANCIAL PERFORMANCE

To assess the earning capacity or profitability of the firm.

To assess the operational efficiency and managerial effectiveness.

To assess the short term as well as long term solvency position of the firm.

□ To identify the reasons for change in profitability and financial position of the firm.

II. REVIEW OF LITERATURE

1. **Abbie Smith** Earnings and management incentives says in Journal of Accounting and Economics Volume 16, Issues 1–3, January–July 1993, Pages 337-347 This comment evaluates the three papers and suggests avenues for future research into the stewardship role of accounting data and opportunistic financial reporting behaviour.
2. **Daniel Quan.C , Sheridan Titman** Commercial Real Estate Prices and Stock Market Returns: An International Analysis Pages 21-34 | Published online: 02 Jan 2019 This study examines the relation between stock returns and changes in property values and rents based on data from 17 countries. Although we find no relation between real estate values and rents and stock returns in the United States, we find significant relations in a number of other countries. When the data are pooled, the relation between stock returns and both value changes and changes in rental rates is very strong.
3. **David Denis J, Diane Denis K** Managerial discretion, organizational structure, and corporate performance Journal of Accounting and Economics Volume 16, Issues 1–3, January–July 1993, Pages 209-236 . this Study examine the impact of highly leveraged transactions on managerial discretion over investment policy using a sample of 39 proposed leveraged recapitalizations. We find significant decreases in undistributed cash flow, capital expenditures, and total assets following completed recapitalizations.
4. **George Baker P Growth**, corporate policies, and the investment opportunity set Journal of Accounting and Economics Volume 16, Issues 1–3, January–July 1993, Pages 161-165 . The paper is somewhat weekend by the failure to distinguish between equity value growth and asset growth, and by a sample segmentation technique that separates firms into growth and nongrowth subsamples, and finds that the growth firms are larger and substantially more profitable.
5. **Greg Clinch Joseph Magliolo** CEO compensation and components of earnings in bank holding companies Journal of Accounting and Economics Volume 16, Issues 1– , January–July 1993, Pages 241-272 . This study analyses the relation between cash compensation of bank CEOs and accounting earnings from selected discretionary transactions. Results indicate that income from discretionary transactions accompanied by cash flow effects is reflected in the CEO compensation function.
6. **Ivan Bull** Financial performance of leveraged buyouts: An empirical analysis Journal of Business Venturing Volume 4, Issue 4, July 1989, Pages 263-279 . This study compares management performance before and after leveraged buyouts of 25 sample companies. Average performance for the two years before a leveraged buyout is compared to average performance for the two years after a buyout.
7. **James Brikley** A Stock-based incentive compensation and investment behaviour Journal of Accounting and Economics Volume 16, Issues 1–3, January–July 1993, Pages 349-372 This paper examines how excessive concern over current stock price can motivate managers to use observable investment decisions to manipulate the

III. OBJECTIVES OF STUDY

PRIMARY OBJECTIVES:

To Study and Ascertain Financial Performance of Coal India Limited

SECONDARY OBJECTIVES:

To study the financial performance and efficiency of the Coal India Limited

To examine the financial efficiency of the Coal India Limited

IV. RESEARCH METHODOLOGY

Research Methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

TYPE OF RESEARCH

DESCRIPTIVE RESEARCH

This Study is *Descriptive in nature* that aims to give the industry report accurately and systematically describe a population, situation or phenomenon. It can answer what, where, when and how questions.

V. DATA COLLECTION

Secondary data is used for this study

Primary data:

Primary source of secondary data, Company's annual report and data already done & published by company

Secondary data:

- Secondary data already published by others, Other than company website, journals and books and company annual report.
- Period of study 2019-2020.

VI. STATISTICAL TOOLS USED FOR THIS STUDY

The following are major tools used in analysis and interpretation.

Ratio analysis

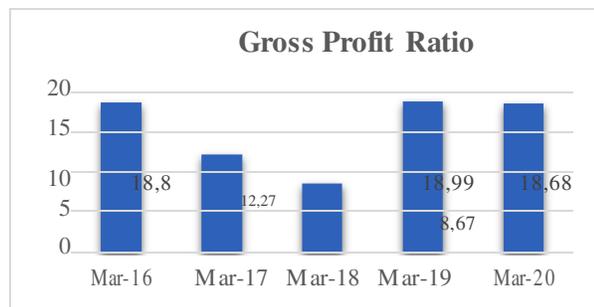
Trend Percentage Analysis

Comparative Balance Sheet Statement

V. DATA ANALYSIS AND INTERPRETATION RATIO ANALYSIS

1. CALCULATION OF GROSS PROFIT RATIO

Year	Gross Profit	Net Sales	Ratio [%]
2015-16	14,266.78	75,461.78	18.8
2016-17	9279.77	75,602.86	12.27
2017-18	7038.44	81,111.26	8.67
2018-19	16,44.42	92,896.08	18.99
2019-20	16,700.34	89,373.34	18.68

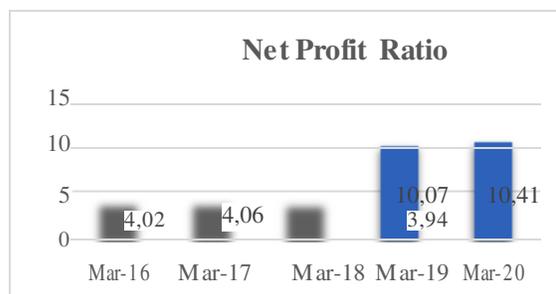


INTREPRETATION:

In my study for the year 2019 shows higher gross profit margin indicates that a company can make a reasonable profit on sales.

2. CALCULATION OF NET PROFIT RATIO

Year	Net Operating Profit	Netsales	Ratio [%]
2015-16	3040.06	75461.78	4.02
2016-17	3072.99	75602.86	4.06
2017-18	3203.80	81111.26	3.94
2018-19	9358.84	92896.08	10.07
2019-20	9305.07	89373.34	10.41

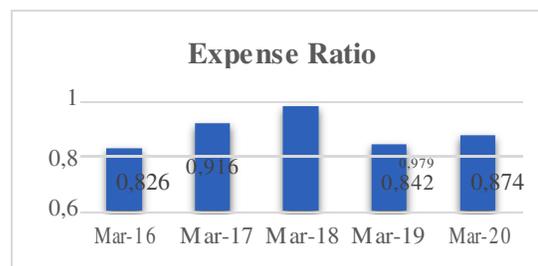


INTREPRETATION:

2020 shows highest net profit ratio compared to 2016 this is because, through selling more goods or services or by **increasing** prices. company increased their net margin by reducing cost.

3. CALCULATION OF EXPENSE RATIO

Year	Operating cost	Netsales	Ratio [%]
2015-16	62508.41	75461.78	0.826
2016-17	69289.09	75602.86	0.916
2017-18	79448.81	81111.26	0.979
2018-19	78293.8	92896.08	0.842
2019-20	78113.25	89373.34	0.874

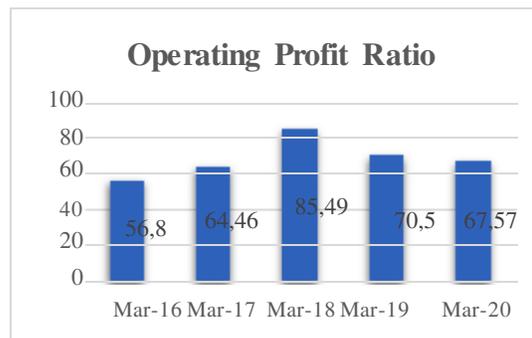


INTERPRETATION:

Expense ratio shows what percentage of sales is an individual expense or a group of expenses. A lower ratio means more profitability and a higher ratio means less profitability. Here 2018 ratio percentage increase compared to year 2016.

4. CALCULATION OF OPERATING PROFIT RATIO

Year	Operating profit	Nets sales	Ratio [%]
2015-16	42982.16	75461.78	56.8
2016-17	48737.92	75602.86	64.46
2017-18	69347.67	81111.26	85.49
2018-19	65563.67	92896.08	70.5
2019-20	60395.63	89373.34	67.57

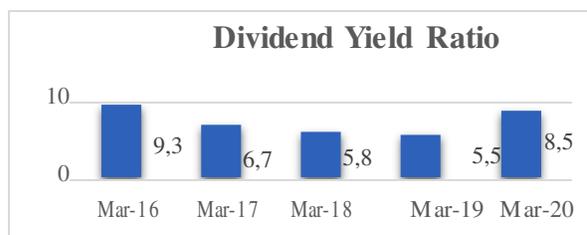


INTERPRETATION:

The operating ratio shows the efficiency of a company's management by comparing the total operating expense of a company to net sales. An operating ratio that is for the year 2016 decreasing is viewed as a positive sign.

5. CALCULATION OF DIVIDEND YIELD RATIO

Year	Dividend per share	Market price per share	Ratio [%]
2015-16	27.40	291.95	9.3
2016-17	19.90	292.65	6.7
2017-18	16.50	283.50	5.8
2018-19	13.10	237.20	5.5
2019-20	12.00	140.05	8.5

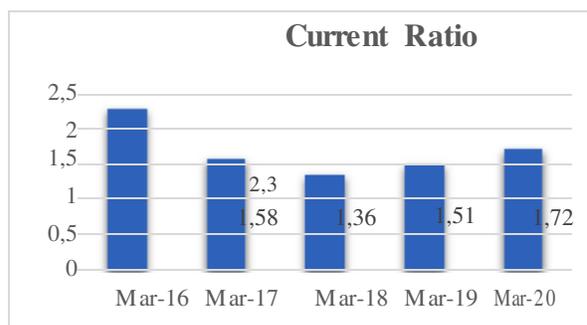


INTERPRETATION:

My study shows that percentage of 2016 the market price of a share a company annually pays to its stockholders in the form of dividends.

6. CALCULATION OF CURRENT RATIO

Year	Current asset	Current liability	Ratio [times]
2015-16	72326.52	31354.16	2.3
2016-17	69919.91	44015.83	1.58
2017-18	66115.63	48319.1	1.36
2018-19	69671.38	46097.8	1.51
2019-20	83512.16	48463.66	1.72



INTERPRETATION:

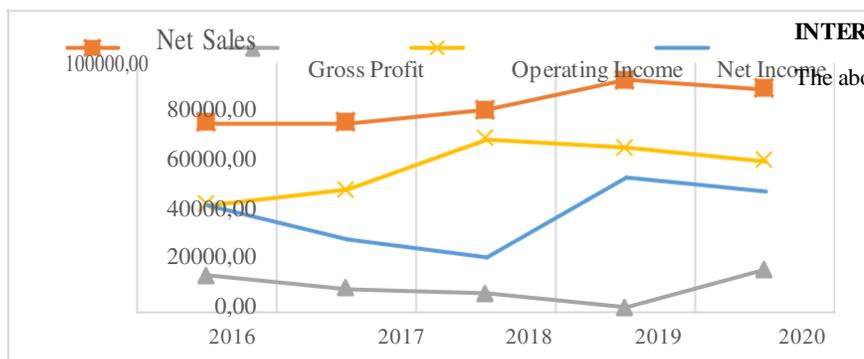
Year 2026 indicates business can pay debts due within one year out of the current assets. Year 2018 shows low current ratio of 1.36 this indicates that the business is not well placed to pay its debts. A decline in this ratio can be attributable to an increase in short-term debt, a decrease in current assets, or a combination of both.

VI. TREND ANALYSIS

1. Trend Percentage for Net Sales, Gross Profit, Operating Income & Net Income.

Year	Net Sales	Gross Profit	Operating come	Net Income
2015-16	75642.78	14266.78	42982.16	42879.60
2016-17	75602.86	9279.77	48737.92	28892.60
2017-18	81111.26	7038.44	69347.67	21540.62
2018-19	92896.08	1644.42	65563.67	54257.74
2019-20	89373.34	16700.34	60395.63	48144.98

Year	Net Sales	Gross profit	Operating income	Net income
2015-26	NA	NA	NA	NA
2016-17	0%	-35%	13%	-33%
2017-18	7%	-51%	61%	-50%
2019-19	23%	-88%	53%	27%
2019-20	18%	17%	41%	12%



INTERPRETATION:

The above trend analysis showing, it is inferred 2016

12%.

2. Trend Percentage for Current Asset & Current Liabilities

Year	Current asset	Current liabilities
2015-16	72326.52	31354.16
2016-17	69919.91	44015.83
2017-18	66115.63	48319.10
2018-19	69671.38	46097.8
2019-20	83512.16	48463.66

Year	Current asset %	Current liability %
2015-16	NA	NA
2016-17	-3%	40%
2017-18	-9%	54%
2018-19	-4%	47%
2019-20	15%	55%



INTERPRETATION:

From the above trend analysis showing, it is inferred as base year 2016. current asset has been increased in year 2020, trend percentage is increased with 15% and current liability increased in year 2020 and trend percentage is increased with 55%.

VII. COMPARATIVE BALANCESHEET

COMPARATIVE BALANCE SHEET FOR YEAR 2019-2020				
	Mar-19	Mar 20	Inc/Dec	Percentage
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	6,162.73	6,162.73	0.00	0%
Total Share Capital	6,162.73	6,162.73	0.00	0%
Reserves and Surplus	7,834.66	10,650.57	2,815.91	36%
Total Reserves and Surplus	7,834.66	10,650.57	2,815.91	36%
Total Shareholders Funds	13,997.39	16,813.30	2,815.91	20%
NON-CURRENT LIABILITIES				
Other Long Term Liabilities	4,099.36	4,617.77	518.41	13%
Long Term Provisions	211.93	297.66	85.73	40%
Total Non-Current Liabilities	4,311.29	4,915.43	604.14	14%
CURRENT LIABILITIES				
Trade Payables	122.97	170.93	47.96	39%
Other Current Liabilities	518.62	380.02	-138.60	-27%
Short Term Provisions	90.3	137.1	46.80	52%
Total Current Liabilities	731.89	688.05	-43.84	-6%
Total Capital And Liabilities	19,040.57	22,416.78	3,376.21	18%
ASSETS				
NON-CURRENT ASSETS				
Tangible Assets	291.97	302.39	10.42	4%
Intangible Assets	0.46	0.2	-0.26	-57%
Capital Work-In-Progress	142.63	128.33	-14.30	-10%
Intangible Assets Under Development	38.7	57.16		
Other Assets	8.32	8.32	0.00	0%
Fixed Assets	482.08	496.4	14.32	3%
Non-Current Investments	12,515.16	12,232.59	-282.57	-2%
Long Term Loans And Advances	0.22	0.16	-0.06	-27%
Other Non-Current Assets	4,080.72	4,391.95	311.23	8%
Total Non-Current Assets	17,078.18	17,121.10	42.92	0%
CURRENT ASSETS				
Current Investments	22.74	93.97	71.23	313%
Inventories	30.67	14.98	-15.69	-51%
Trade Receivables	0.25	7.97	7.72	3088%
Cash And Cash Equivalents	253.51	1,071.48	817.97	323%
Short Term Loans And Advances	0	0	0.00	
Other Current Assets	1,655.22	4,107.28	2,452.06	148%
Total Current Assets	1,962.39	5,295.68	3,333.29	170%

Total Assets	19,040.57	22,416.78	3,376.21	18%
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VIII. FINDINGS, SUGGESTIONS AND CONCLUSION FINDINGS & SUGGESTION

Gross profit percentage is increasing in 2019, company making reasonable profit, 2020 shows increasing net profit of 10.41% by selling more goods and services. Expense ratio is decreased to 0.874 % company makes less profit in 2020. Operating profit is increased in 2018 as company shows efficient management. Earning per ratio is found to be decreased with 78.1 when compared to year 2019. this is due to highest value of share in 2019. Dividend yield ratio in 2016 shows highest % compared to 2020. Dividend payout ratio is increased in 2018 indicates that earnings payout as dividend to shareholders. 2017 and 2019 shows highest return on capital employed indicates strong profitability. The current ratio is decreased in year 2020 when compared to 2016, it indicates that company is not well placed to pay debts. Year 2019 has adequate cash on hand to operate. Year 2020 shows low debt-to-equity ratio indicates a lower amount of financing by debt. Form the overall analysis of

financial statements and component wise cost, the company is being looked from all the dimension and finally it can be concluded that economic health is sufficiently strong with huge cash reserve can enable the company for diversification and many other ventures is being processed apart from the main business of coal mining. Cost aspect is also registering that the price increase is contained within the level of inflation in spite of many other extraneous factors. In my opinion it is a cash rich PSU and should go for diversification meeting all social commitment. In global context for its survival and growth many other conditional ties to be complied. Under corporate governance more transparency should be maintained and many other commitments to be achieved

CONCLUSION

If we go through the ratio analysis part, we will see that during the analysis of liquidity ratio there is positive growth **from 2020 onwards. The liquidity position of the company is improving significantly and the terminal year** has registered its growth positively and has established that current assets has exceeded over current liabilities. There **is also immense reduction of the percentage of debt during the years, which is the company has low financial risk which is beneficiary** to the shareholders.

From the information in the dissertation, it can be said that the company is financially sound and it is identified that the company including its eight subsidiaries has attained the stage of profitability and it is a remarkable achievement in the arena of Financial Management.

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