

A Study on Financial Performance Using Ratio Analysis of Hindalco Aluminium Company Ltd

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Abstract: The present study of the research entitled “A STUDY ON FINANCIAL PERFORMANCE USING RATIO ANALYSIS OF HINDALCO ALUMINIUM COMPANY LTD”. The study was based on secondary data from records, reports and profile of the organization. The ratio analysis is the process of identifying the financial soundness and cost effectiveness of the firm establishing relationship between the items of balance sheet and profit and loss a/c. The present study has thrown major concentration in ratio analysis from the 5 years balance sheet and profit and loss a/c. An objective of the study includes the profitability, cost of goods sold and overall financial performance of the company. Based on the five years balance sheet and profit and loss a/c suitable suggestion were given by the researcher for a better soundness and cost effectiveness of company.

Key Words: Current ratio, Profitability Ratio, Aluminium companies.

INTRODUCTION:

The Hindalco story dates back to the young Indian democracy of the 1950s. Ready to take a giant leap, India was geared to make it big, especially in terms of innovation and industrialization. Hindalco embarked on its journey in 1958. Its first real contribution to the vision of an industrial India occurred four years later, when the visionary late Mr. GD Birla set up India's first integrated aluminium facility at Renukoot, in the eastern fringe of Uttar Pradesh, India. It was backed by a captive thermal power plant at Renuagar in 1967. Hindalco attained its leadership position in the aluminium industry under the dynamic leadership of the late Mr. Aditya Vikram Birla — a formidable force in the Indian industry.

Hindalco Industries Limited, metals flagship company of the Aditya Birla Group, is the industry leader in aluminium and copper. With a consolidated turnover of US\$17 billion, Hindalco is the world's largest aluminium rolling company and one of Asia's biggest producers of primary aluminium. Its state-of-art copper facility comprises a world-class copper smelter and a fertilizer plant along with a captive jetty. The copper smelter is one of the world's largest custom smelters at a single location. In India, the company's aluminium units across the country encompass the gamut of operations from bauxite mining, alumina refining, coal mining, captive power plants and aluminium smelting to downstream rolling, extrusions and foils. Today, Hindalco ranks among the global aluminium majors as an integrated producer and a footprint in 13 countries outside India.

Hindalco has been accorded Star Trading House status in India. Its aluminium is accepted for delivery under the High Grade Aluminium Contract on the London Metal Exchange (LME), while its copper quality is also registered on the LME with Grade A accreditation. Over the years, Hindalco has grown into a major vertically integrated aluminium company in the country and among the largest primary producers of aluminium in Asia. Its copper smelter is today one of the world's largest custom smelter at a single location.

REVIEW OF LITERATURE:

Timo Salmi and Teppo Martikainen (2005)

This paper provides a critical review of the theoretical and empirical basis of four central areas of financial ratio analysis. The research areas reviewed are the functional form of the financial ratios, distributional characteristics of financial ratios, classification of financial ratios, and the estimation of the internal rate of return from financial

statements. It is observed that it is typical of financial ratio analysis research that there are several unexpectedly distinct lines with research traditions of their own. A common feature of all the areas of financial ratio analysis research seem to be that while significant regularities can be observed, they are not necessarily stable across the different ratios, industries, and 45

time periods. This leaves much space for the development of a more robust theoretical basis and for further empirical research.

A.Ramachandran, N. Kavitha (2009)

In view of the importance of improving the profitability performance of the banking sector in recent years, a census study has been adopted by covering all the Indian scheduled commercial banks, which have been divided into three groups viz., the SBI group, the Nationalized Banks group and the Private Banks group with two sessions, i.e., Period I and Period II by dividing the 10 year-study period into the first five years and the last five years. The step-wise multiple regression analysis was adopted for the study. An analysis of the SBI group reveals that in both the periods of study, the variable provisions and contingencies to total expenses occupied a prominent place. The nationalized banks group showed a position of provisions and contingencies to total expenses in the first half of the study period and Capital Adequacy Ratio during the second half of the study period. In relation to the private banks group, it has changed from other interest expenses ratio to capital adequacy ratio.

Crane L M (ND) Measuring Financial Performance: A Critical Key to Managing Risk. He has explained in his paper various financial measurement tools like balance sheet analysis, finding out various ratios like liquidity ratio, profitability ratio, efficiency ratio, solvency ratio, repayment capacity etc. in a lucid manner. He has not only explained traditional ratios but also explained various new and innovative ratios like financial efficiency measures the, degree of efficiency in using labor, management and capital.

OBJECTIVES OF THE STUDY:

To analysis the ratio analysis of the hindalco aluminium company ltd.

RESEARCH DESIGN:

The researcher adopted the analysis of data in a manner that to combine relevance to purpose with economy in procedure. The preparation of the design of the project is popularly known as research design. Secondary data that are asslready collected and analyzed by someone else such as annual reports. The study depends mainly in company’s report, books and company’s profile.

DATA ANALYSIS:

1. Current Ratio

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Lisibilities}}$$

Table showing Current Ratio

Year	Current Assets (Rs in Crore)	Current Liabilities (Rs in Crore)	Ratio %
2011	15929.20	9842.64	1.61
2012	16479.44	10035.04	1.64
2013	20150.03	9736.76	2.06
2014	21951.89	12581.78	1.74
2015	22929.20	13092.72	1.75

Source: Annual Report

2. Absolute Liquid/ Cash Ratio

$$\text{Absolute Liquid/ Cash Ratio} = \frac{\text{Absolute liquid Assets}}{\text{Current Lisibilities}}$$

Table showing Absolute Liquid Ratio

Year	Absolute liquid Assets (Rs in Crore)	Current Liabilities (Rs in Crore)	Ratio %
2011	233.39	9842.64	0.02
2012	722.30	10035.04	0.07
2013	1497.82	9736.76	0.15
2014	1163.17	12581.78	0.092
2015	984.18	13092.72	0.075

Source: Annual Report

3. Debtor's turnover Ratio

$$\text{Debtor's Turnover Ratio} = \frac{\text{Total Sales}}{\text{Debtors}}$$

Table showing Debtor's turnover Ratio

Year	Total Sales (Rs in Crore)	Debtors (Rs in Crore)	Ratio %
2011	23859.21	1255.49	19
2012	26596.78	1427.45	18.63
2013	26056.93	1515.04	17.19
2014	27850.93	1283.65	21.69
2015	34525.03	1832.18	18.84

Source: Annual Report

Profitability Ratio

4. Net Profit before tax

$$\text{NPBT} = \frac{\text{Net profit before tax}}{\text{Sales}} \times 100$$

Table showing Net profit before Tax

Year	Net profit before tax (Rs in Crore)	Sales (Rs in Crore)	Ratio %
2011	2191.11	23859.21	9.18
2012	2325.42	26596.78	8.74
2013	2046.63	26056.93	7.85
2014	1685.38	27850.93	6.05
2015	1246.91	34525.03	3.61

Source: Annual Report

5. Net Profit Ratio

$$\text{NPR} = \frac{\text{Net profit after Tax}}{\text{Sales}} \times 100$$

Table showing Net profit after Tax

Year	Net profit after tax (Rs in Crore)	Sales (Rs in Crore)	Ratio %
2011	1733.29	23859.21	7.26
2012	1825.67	26596.78	6.86
2013	1699.2	26056.93	6.52
2014	1413.33	27850.93	5.07
2015	925.16	34525.03	2.67

Source: Annual Report

INTERPRETATION:

1. We can say that the Current Ratio of HACL is in Fluctuating trend. The highest current ratio of HACL was 2.06% in the year 2013 which shows good position of the company and the lowest ratio was 1.61 % in 2011. Overall performance of current ratio shows that company position is good.
2. The highest absolute liquid ratio was 0.15 % in 2013 and the lowest ratio was 0.02% in 2011. We can say that overall performance of absolute liquid ratio shows that company position is not good.
3. The highest debtor's turnover ratio of HACL was 21.69 times in the year 2014 and the lowest debtor's turnover ratio was 17.19 times in 2013. We can say that debtor's turnover ratio was in fluctuating trend. The overall performance of the debtor's turnover ratio was excellent.
4. The highest net profit before tax was 9.18 % in 2011 and the lowest ratio is 3.61 % in 2015. We can say that the ratio is in decreasing trend. The company position is not good.
5. The highest net profit ratio of HACL was 7.26% in the year 2011 and the lowest net profit ratio is 2.67% in 2015. This ratio is also in decreasing trend. Net profit of the company is goes down, so it is not good for the company.

SUGGESSTION: The company should concentrate more on the working capital.

CONCLUSION:

The study conducted on ratio analysis at "Hindalco Aluminium company ltd" gives a view of analysis evaluation of liquidity position of the company. Based on the tools used analysis and interpretation have been made giving way for useful suggestions. Hence the company should more efforts need to be taken to improve the financial position for the growth of the company.

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