



"AN IN-DEPTH STUDY ON FINANCIAL PERFORMANCE OF SELECT INDIAN MAHARATNA AND NAVARATNA PUBLIC SECTOR UNDERTAKINGS"

**Mr. Jaiminikumari
A. Joddha**

Research Scholar, Hemchandracharya North Gujarat University, Patan - 384265

**Dr. Kesarisinh S.
Parmar***

Research Supervisor, Principal, Govt. Commerce College, Vadali.
*corresponding Author

ABSTRACT

Financial performance is a subjective measure of how well a firm can use its assets from its primary mode of business and generate revenues. Financial performance is also used to measure the overall financial health of the firm during a given period of time and can be used to compare the similar firm across the same industry or to compare the industries or sectors in aggregation. In India some foreign multinational companies and some public sector undertakings are engaged in manufacturing of capital goods. Out of which one Navaratna and one Maharatna company is select for the study. The objectives of the study are to analyze profitability of the two select Public Sector "Maharatna" and "Navaratna" companies manufacturing capital goods and to analyze profitability of the two select public Sector "Maharatna" and "Navaratna" companies manufacturing capital goods.

KEYWORDS : Correlation, Maharatna, Management efficiency, Navaratna, Profitability

1. INTRODUCTION

Finance is management of money and other valuables which can be easily convertible into cash. Finance is the simple task of providing necessary funds required by the business entities like companies, firms, individuals and others on the terms that are most favorable to achieve their economic objectives. Financial performance is a subjective measure of how well a firm can use its assets from its primary mode of business and generate revenues. Financial performance is also used to measure the overall financial health of the firm during a given period of time and can be used to compare the similar firm across the same industry or to compare the industries or sectors in aggregation. 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.

Capital goods are tangible assets that an organization uses to produce goods and services such as office buildings, equipment's and machineries. Capital goods are any material that adds to the assets of an enterprise. Examples are machinery and equipment, utilities like power generators, effluent treatment plants, service equipment, office equipment like computers and furniture. These can be used for their useable life for producing product and services for the enterprise and increases value. Highly expensive capital goods items restrict the entrance new competitors in the profitable market of the existing players. Capital goods are called complex products and systems play an important role in the economy.

1.1 Brief profile of the some above mentioned companies producing capital goods

Bharat Electronics Limited (BEL): BEL was established at Bangalore, India, by the Government of India under the Ministry of Defence in 1954 to meet the specialized electronic needs of the Indian Defense services.

BHEL is owned by Government of India. It is power plant equipment manufacturer, operates as an engineering and manufacturing company. It has been granted high prestigious Maharatna Status by Govt. of India in 2013 for its outstanding performance. The Company is an integrated power plant equipment manufacturer, engaged in the design, engineering, manufacture, construction, testing, commissioning and servicing of a range of products and services for the sectors, such as power, transmission, industry, transportation, renewable energy, oil and gas, and defense.

2. REVIEW OF LITERATURE

Ganesan (2007) analyzed the working capital management efficiency of firms from telecommunication equipment industry. The relationship between working capital management efficiency and profitability is examined using correlation and regression analyses.

Van Horne (2007) proposed a method by which management is able to analyze the risk-return tradeoff for various levels of liquid assets for the firm and for different maturity compositions of its debt. Together, these factors determine its working-capital position. Certain probability concepts are employed; and information is provided about the risk of cash insolvency for alternative strategies.

Vishnani and Shah (2007) studied the role of working capital management policies on profitability of a company. Conventionally, it has been seen that if a company desires to take a greater risk for bigger profits and losses, it reduces the size of its working capital in relation to its sales. If it is interested in improving its liquidity, it increases the level of its working capital.

3. RESEARCH METHODOLOGY

3.1 Research Objectives

1. To analyze the profitability of the two select Public sector "Maharatna" and "Navaratna" companies manufacturing capital goods.
2. To analyse the efficiency of management of the two select Public sector "Maharatna" and "Navaratna" companies manufacturing capital goods.

3.2 Research Hypothesis

- H1: There is a statistically significant difference in profitability ratios of the two select Public Sector "Maharatna" and "Navaratna" companies manufacturing capital goods.
- H2: There is a statistically significant difference in management efficiency ratios of the two select Public Sector "Maharatna" and "Navaratna" companies manufacturing capital goods.

3.3 Data Collection: This study is based on secondary data. The relevant Sources of secondary data are books, journals, magazines, newspapers, brochures and websites of select capital goods companies. All the relevant data is being collected from moneycontrol.com for year 2015 to year 2019.

3.4 Statistical Tools: In this study statistical tools like

arithmetic mean and correlation have been used to calculate the average of profitability ratios and management efficiency ratios. Also, correlations between profitability ratios and management efficiency ratios of these companies have been found out. Statistical technique like ANOVA test has been used.

4 DISCUSSION OF RESULTS

Table 4.1 The profitability ratios (%) from 2015 to 2019

Name of ratios (BEL)	Average	2015	2016	2017	2018	2019
Operating profit margin	13.95	16.7	14.19	10.52	10.65	17.68
Gross profit margin	11.76	14.45	11.93	8.38	8.56	15.5
Net profit margin	15.25	17.05	14.84	14.57	14.38	15.42
Return on capital employed	19	18.58	16.74	17.74	19.14	22.82
Return on net worth	14.84	14.8	13.27	14.11	14.76	17.27
Return on long term fund	19	18.58	16.74	17.74	19.14	22.82
Name of ratios (BHEL)	Average	2015	2016	2017	2018	2019
Operating profit margin	15.77	6.95	11.55	19.39	20.64	20.32
Gross profit margin	13.57	3.38	9.04	17.42	18.98	19.03
Net profit margin	11.22	4.7	8.84	13.65	14.67	14.22
Operating profit margin	15.77	6.95	11.55	19.39	20.64	20.32
Return on capital employed	27.28	6.56	14.43	30	40.68	44.73

(Source: moneycontrol.com)

Table 4.1 shows the year- wise profitability ratios of BEL and BHEL from financial year 2015 to financial year 2019. It was observed that all profitability ratios have decreased in 2019 in comparison to what they have been in 2015 but they have managed to increase from their lows for the period of observation, in year 2017 (Operating profit margin, Gross profit margin and Net profit margin) and in 2018 (Return on capital employed, return on net worth and Return on long term fund). It is also seen that the profitability ratios of BEL and BHEL of the financial year 2015 are only more than the five years' simple average value of the ratios.

Table 4.2 ANOVA test of profitability ratios

Variables	Source of variation	Sum of squares	df	Mean square	F	p-value	F-crit
Profitability ratios	Between groups	2271.7	11	206.5182	4.806606	0.000158	2.066608
	Within groups	1546.758	36	42.96549			
	Total	3818.45	47				

The ANOVA test of there is no statistically significant difference in profitability ratios of the select companies as $F > F\text{-crit}$ and the p-value is less than the value 0.05. So, the H_0 is rejected.

CONCLUSION

The study may be concluded from the above discussion that profitability of BEL was decreasing from financial year 2015 to financial year 2017 then it started to increase from financial year 2018 and 2019 but it was observed that all profitability ratios have decreased in 2019 in comparison to what they have been in 2015. All management efficiency ratios (times) of BEL have decreased in 2019 in comparison to what they have been in 2015 but they have managed to increase from their lows for the period of observation, in year 2017. Excepting some of the profitability ratios and management efficiency ratios of BEL which have considered for the study there is no correlation exist between the profitability ratios. ANNOVA TEST of the profitability ratios, it is evident that profitability ratios of the two companies are not dependent only on the management efficiency ratios there are other factors which affect the profitability of the companies.

REFERENCES

- Duru, A. & Ubesie, M. C. (2009), Effect of management of receivables ratio on corporate profitability of industrial/domestic products in Nigeria.
- Ganesan,V.(2007), An analysis of working capital management efficiency in Telecommunication Equipment Industry. Rivier Academic Journal, 3(2), 1-10.
- Mohamad, N. E. A. B., & Saad, N. B. M. (2010), Working capital management: The effect of market valuation and profitability in Malaysia, International Journal of Business and Management, 5(11), 140.
- Ramachandran, A., & Janakiraman, M. (2009), The Relationship between working capital management efficiency and EBIT, Managing Global Transitions, 7(1), 61.
- Sharma, A. K., & Kumar, S. (2011). Effect of working capital management on firm profitability:Empirical evidence from India. Global Business Review, 12(1), 159-173.
- Siddarth, M. R. & Das, G. (1994), Working Capital Turnover of Pharmaceutical Companies, The Management Accountant, 151-153.
- Singh, J. P. & Pandey, S. (2008), Impact of Working Capital Management on the Profitability of Hindalco Industries Limited. The IUP Journal of Financial Economics, 6(4), 62-7.