



Profitability Analysis of Select Aluminium Companies in India

KEYWORDS

Aluminium, Growth, Profitability

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ABSTRACT Aluminium Industry is the largest non-ferrous industry in the world economy and one of the leading industries in the Indian economy. With the Indian economy projected to be amongst the top five in the world in the year of 2020, the overall consumption of aluminium in India is projected to be about 5 million tonnes in the year of 2015, and 10 million tonnes in the year 2020. The research paper focuses on the profitability of select aluminium companies. Besides management of the company, creditors and owners are interested in the profitability of the firm. For this purpose researcher would like to evaluate the profitability analysis with reference to various ratios for the select aluminium companies

INTRODUCTION

Aluminium Industry is the largest non-ferrous industry in the world economy and one of the leading industries in the Indian economy. India has a capacity to produce more than 2.7 million tons of aluminium per year, accounting making up about 5 per cent of the total aluminium production on the globe. India boasts of a massive quantity of Bauxite reserve of about 3 billion tonnes. With the Indian economy projected to be amongst the top five in the world in the year of 2020, the overall consumption of aluminium in India is projected to be about 5 million tonnes in the year of 2015, and 10 million tonnes in the year 2020. As per forecast, the primary aluminium demand in India is expected to reach 6 million tonnes in the year 2025, which equates to about 4.1kg of per capita aluminium consumption in 2025. It has been projected that the Aluminium Demand in the country may touch around 5 million ton by 2015 and 10 million ton by 2020 which can generate employment to nearly 7 million people in the country in 2020. Besides employment generation, the Industry can contribute nearly Rs. 33000 crore annually to exchequer. With the expectation of moderation in growth in India's industrial production and real gross domestic product (GDP), demand for aluminium is likely to increase at an annual average growth rate of 6 per cent during 2012-2014.

OBJECTIVES OF THE STUDY

1. To assess the profitability position of select aluminium companies in India.
2. To examine the growth of select aluminium companies in India

REVIEW OF LITERATURE

Dr. Shishir Pandey and Vikas Kumar Jaiswal(2014)⁶⁹ in their paper "Comparative Study of Profitability analysis of Indian Aluminium Industry between Public and Private sector". The main objective of this research paper is to analyze the profitability position of the selected aluminium

companies for five years (2008-2014). The study is based on secondary data. Profitability position is analyzed by using different profitability ratios and regression analysis of selected aluminium companies. Hence, it may be said that aluminium industry in India shows satisfactory performance in concerned with profitability.

Pratibha Jain and Megha Mehta(2013)⁵⁸ in their study " An Analytical Study of Profitability Position of the Selected Automobile Companies in India (2009-2013)" they have selected 5 automobile companies in India. The main objective of this research paper is to analyze the profitability position of the selected automobile companies for last five years (2009-2013). The study is based on secondary data. Profitability position is analysed by using different profitability ratios and Two Way ANOVA of ROCE of selected automobile companies. From the study, they ascertained the highest degree of positive correlation between NP ratio of Maruti Suzuki & Tata Motors.

RESEARCH METHODOLOGY

Sources of data

The financial data for the study are drawn from the secondary sources. The Prowess corporate databases developed by Centre for Monitoring Indian Economy and Capital Line have been used as principal sources.

Sample Design

The present study has drawn a sample of ten companies, whose securities should be traded in Indian Stock Markets.

Selection of Period for the Study

The period for this study was covered ten years from 2004-05 to 2013-14

Tools used for analysis

Tools used for the Descriptive analysis of Mean, Standard Deviation, Co –Efficient of Variance & Compound Annual Growth Rate

TABLE 1
ANALYSIS OF GROSS PROFIT RATIO OF SELECT ALUMINIUM COMPANIES IN INDIA

Year	ACL	CEL	GFL	HAIL	HIL	NALCO	PGFL	SML	SIL	SFL
Mar-05	19.01	3.04	02.15	2.49	25.35	56.83	04.19	3.54	2.45	7.10
Mar-06	14.18	5.23	02.82	03.6	23.58	57.92	03.24	2.47	4.08	5.81
Mar-07	10.68	3.64	04.37	5.04	22.42	66.25	02.30	2.41	2.92	4.58

Mar-08	07.13	6.57	05.07	4.24	19.11	55.06	07.41	3.64	5.66	4.70
Mar-09	04.84	5.39	04.89	2.78	18.47	43.18	-00.70	4.18	7.04	3.32
Mar-10	13.84	8.29	06.58	3.41	15.14	29.16	02.79	4.23	9.13	4.40
Mar-11	12.16	2.88	09.51	2.98	13.76	32.12	11.26	4.92	5.84	4.80
Mar-12	11.27	3.55	13.00	2.74	12.88	25.17	06.20	4.21	3.64	4.18
Mar-13	10.13	2.36	11.71	2.72	10.56	20.39	04.81	3.84	5.21	3.13
Mar-14	08.98	0.98	11.17	02.6	09.01	21.27	05.31	4.68	3.41	3.31
Mean	11.22	4.19	7.13	3.26	17.03	40.74	4.68	3.81	4.94	4.53
S.D	3.96	2.17	3.92	0.83	5.63	17.19	3.23	0.84	2.07	1.22
CV(%)	35.29	51.76	54.94	25.39	33.06	42.20	69.03	21.98	41.84	26.92
CAGR (%)	-8.00	-11.80	20.10	0.50	-10.90	-10.30	2.70	3.20	3.70	-8.10

The mean gross profit ratio of select companies shows a fluctuating trend during the study period; this has been due to unfavorable sales. The National Aluminium Co. Ltd., has the highest mean of 40.74. The Hind Aluminium Industries Ltd., has the lowest mean of 3.26. It has been also observed from the table 1. That the compound annual growth rate of Gross profit ratio was only positive in the case of Gujarat Foils Ltd., Hind Aluminium Industries Ltd., Pg Foils Ltd., Sacheta Metals Ltd., Sudal Industries Ltd. and in the remaining industries it was negative during the study period.

ANALYSIS OF NET PROFIT RATIO OF SELECT ALUMINIUM COMPANIES IN INDIA

The mean Net profit ratio of select companies shows a fluctuating trend during the study period; this has been due to unfavorable purchasing policies and lesser sales. The National Aluminium Co. Ltd., has the highest mean of 22.47. Sacheta Metals Ltd., has the lowest mean of 0.96. It has been also observed from the table 2. That the compound annual growth rate of net profit ratio was only positive in the case of Gujarat Foils Ltd., Pg Foils Ltd., Sacheta Metals Ltd., and in the remaining industries it was negative during the study period.

TABLE 2

Year	ACL	CEL	GFL	HAIL	HIL	NALCO	PGFL	SML	SIL	SFL
Mar-05	9.03	1.58	0.56	1.63	14.24	30.1	1.97	0.42	1.91	3.23
Mar-06	6.16	6.95	0.96	2.62	14.89	32.24	1.7	0	3.35	2.71
Mar-07	5.14	2.13	1.47	2.92	14.17	40.07	0.96	0.48	2.34	2.29
Mar-08	1.96	2.96	1.77	2.06	15.13	32.69	4.59	1.4	5.01	2.44
Mar-09	-3.83	2.84	0.35	1.07	12.35	24.97	-0.86	1.28	7.17	1.60
Mar-10	6.39	4.35	1.38	1.49	9.88	16.11	2.01	1.39	3.28	2.33
Mar-11	5.7	0.36	0.77	1.4	8.96	17.66	6.64	1.36	3.18	2.73
Mar-12	5.78	1.66	0.83	1.62	8.41	12.85	3.14	1.2	1.72	2.24
Mar-13	4.92	-0.01	1.67	1.48	6.52	8.57	2.06	0.98	1.98	1.33
Mar-14	3.66	-0.55	2.05	1.33	5.07	9.47	2.90	1.06	0.54	1.63
Mean	4.49	2.23	1.18	1.76	10.96	22.47	2.51	0.96	3.05	2.25
S.D	3.45	2.23	0.57	0.59	3.68	11.02	2.03	0.49	1.89	0.59
CV(%)	76.80	100.05	47.91	33.59	33.57	49.03	80.85	51.10	61.86	26.05
CAGR(%)	-9.55	-188.94	15.51	-2.23	-10.84	-12.06	4.39	10.83	-13.10	-7.32

TABLE 3

ANALYSIS OF OPERATING PROFIT RATIO OF SELECT ALUMINIUM COMPANIES IN INDIA

Year	ACL	CEL	GFL	HAIL	HIL	NALCO	PGFL	SML	SIL	SFL
Mar-05	25.14	4.27	2.15	2.49	27.17	58.96	5.52	4.5	8.36	7.74
Mar-06	18.26	6.44	2.80	3.6	25.61	58.64	4.98	3.81	9.32	8.14
Mar-07	14.05	4.56	4.14	5.22	23.76	67.02	5.01	3.5	6.76	7.32
Mar-08	11.11	8.12	5.00	4.78	20.6	56.31	9.08	6.02	9.79	9.02
Mar-09	10.4	7.6	2.91	3.33	20.34	44.79	1.84	7.34	10.5	7.45
Mar-10	17.49	11.08	6.50	3.85	16.57	30.85	4.38	5.84	13.61	8.29
Mar-11	15.54	6.68	9.00	4.14	14.68	33.78	13.36	7.89	9.02	8.30
Mar-12	14.5	7.45	13.00	4.05	13.99	27.17	9.91	5.73	7.54	7.19
Mar-13	12.55	6.71	11.71	4.51	12.23	22.94	7.36	5.14	9.26	6.56
Mar-14	11.39	3.70	11.17	3.98	11.56	24.26	6.66	5.9	10.15	4.61
Mean	15.04	6.66	6.84	4.00	18.65	42.47	6.81	5.57	9.43	7.46
S.D	4.43	2.16	4.08	0.77	5.65	16.64	3.28	1.40	1.87	1.22
CV(%)	29.43	32.47	59.63	19.19	30.28	39.17	48.17	25.15	19.78	16.35
CAGR(%)	-8.42	-1.58	20.09	5.35	-9.06	-9.40	2.11	3.06	2.18	-5.59

The mean operating profit ratio of select companies shows a fluctuating trend during the study period; The National Aluminium Co. Ltd., has the highest mean of 42.47. Hind Aluminium Industries Ltd., has the lowest mean of 4.00. It has been also observed from the table 3. That the compound annual growth rate of operating profit ratio was only positive in the case of Gujarat Foils Ltd., Hind Aluminium Industries Ltd., Pg Foils Ltd., Sacheta Metals Ltd., Sudal Industries Ltd. and in the remaining industries it was negative during the study period.

TABLE 4
ANALYSIS OF RETURN ON NET WORTH OF SELECT ALUMINIUM COMPANIES IN INDIA

The mean return on net worth of select companies shows a fluctuating trend during the study period; The Century Extrusions Ltd., has the highest mean of 19.13. Sudal Industries Ltd., has the lowest mean of 3.27. It has been also observed from the table 4. That the compound annual growth rate of return on net worth has only positive in the case of Gujarat Foils Ltd., Pg Foils Ltd., Sacheta Metals Ltd., and in the remaining industries it was negative during the study period

Year	ACL	CEL	GFL	HAIL	HIL	NALCO	PGFL	SML	SIL	SFL
Mar-05	35.9	-67.66	3.72	12.71	17.34	26.29	3.34	1.20	14.36	9.43
Mar-06	32.5	76.02	9.09	21.18	17.23	26.51	3.54	0.00	23.36	11.67
Mar-07	21.8	22.22	13.13	23.02	20.65	30.95	1.93	2.70	21.71	12.50
Mar-08	10.6	24.65	13.32	14.63	16.41	18.38	11.83	4.80	33.69	11.82
Mar-09	-19.2	10.28	1.27	7.75	9.39	13.02	-2.18	5.30	34.64	9.84
Mar-10	24.9	16.87	3.91	8.45	6.86	7.83	4.15	6.90	13.19	12.77
Mar-11	23.0	1.79	3.00	12.09	7.19	9.58	12.13	4.10	17.13	14.04
Mar-12	26.7	8.91	3.21	13.93	6.98	7.25	7.25	2.70	8.47	14.01
Mar-13	21.0	-0.06	7.71	12.15	5.00	4.97	4.47	2.40	7.16	7.59
Mar-14	14.14	-2.92	13.32	10.21	3.85	5.30	5.90	2.60	1.47	11.81
Mean	15.04	19.13	9.01	7.17	13.61	11.09	15.01	5.24	3.27	17.52
S.D	4.43	15.43	35.16	4.78	5.00	6.14	9.80	4.34	2.03	10.96
CV(%)	29.43	80.65	390.27	66.67	36.71	55.33	65.33	82.92	62.14	62.59
CAGR(%)	-9.83	-29.48	15.23	-2.40	-15.40	-16.30	6.53	8.97	-22.37	2.53

Conclusion

After analysis of profitability from different angles it is found that in National Aluminium Co. Ltd., the profitability position has shown satisfactory while compared to other companies. The growth rate has shown satisfactory in Gujarat Foils Ltd., while compared to other companies. Hence all the aluminium companies should concentrate on the production to increase the profitability due to heavy competition in the world.

ABBREVIATION

ACL	ALICON CASTALLOY LTD.
CEL	CENTURY EXTRUSIONS LTD.
GFL	GUJARAT FOILS LTD.
HAIL	HIND ALUMINIUM INDUSTRIES LTD.
HIL	HINDALCO INDUSTRIES LTD
NALCO	NATIONAL ALUMINIUM CO.LTD.
PGFL	PG FOILS LTD.
SML	SACHETA METALS LTD.
SIL	SUDAL INDUSTRIES LTD
SFL	SYNTHIKO FOILS LTD.

REFERENCE

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