ORIGINAL RESEARCH PAPER

Accountancy

"AN IN-DEPTH STUDY ON PROFITABILITY OF SELECTED MAHARATNA AND MINIRATNA PUBLIC SECTOR UNDERTAKINGS IN INDIA"

KEY WORDS: Maharatna, Miniratna, and Return on Assets

Miss Jaiminikumari A. Joddha* Research Scholar, Sub: Accountancy, Hemchandracharya North Gujarat University Patan - 384265. *Corresponding Author

Dr. Kesarisinh S. Parmar Research Supervisor Principal Govt. Commerce College Vadali.

ABSTRACT

Profitability of any business organization has a greater impact on its goodwill and standing. Apart from various service motto organizations, profit maximization is the ultimate objective of every business organization. It is because of profit earning; a company can survive and think about growth and development as well.
Profit earning is not as easy as anything, it takes a lot of exertion from each and every related to the organization including top level management up to ultimate workers. In order to accomplish the objective of profitability, every member should make possible effort in this respect. This research paper is an attempt by the researchers to discuss the importance of Return on Assets Ratio for selected Maharatna and Miniratna two public sector undertakings and explain various elements that affect its existence.

1. INTRODUCTION

Profitability is measured with an "income statement". This is essentially a listing of income and expenses during a particular period of time (usually a year) for the entire business. The profitability of the firm is affected by the number of factors. The degree of competition a firm face is important. If a firm has monopoly power then it has little competition, therefore demand will be more inelastic. This enables the firm to increase profits by increasing the price. However, government regulation may prevent monopolies abusing their power. This is because consumers would only buy from the cheapest firms. In order to survive in this cut throat competitive market of modern era, a company requires various techniques that will help in steady growth and progress. Mere high class planning regarding various organizational activities is not enough but the execution of these plans should be done effectively and efficiently at ground level. In this context the parameters of profitability should also be taken into keen consideration. This study is an attempt to discuss such parameters regarding profitability.

1.1 Eligibility Criteria for grant of Maharatna status

CPSEs fulfilling the following criteria are eligible to be considered for grant of Maharatna status:

- Having Navratna status
- Listed on the Indian stock exchange, with a minimum prescribed public shareholding under SEBI regulations
- An average annual turnover of more than Rs. 20,000 crores during the last three years
- An average annual net worth of more than Rs.10,000 crores during the last three years
- An average annual net profit of more than Rs. 2,500 crores during the last 3 years
- Significant global presence or international operations

1.2 Power Grid Corporation Of India Limited (pgci)

Based on the distribution of the revenues earned by Power Grid Corporation of India, the company is classified into the Electricity transmission industry. The company is engaged in the business of providing Power transmission services. Power Grid Corporation of India ranks 1st in the Electricity transmission industry in terms of sales revenues in the year 2019-20. Transmission, Telecom and Consultancy are the major revenue segments disclosed by the company as per its annual financial statements for the year 2020-21. The company is an export-oriented company with foreign exchange earnings of the company comprising about 0 per cent of its sales.

1.3 MINIRATNA CATEGORY

Miniratna Category-I status: - The CPSEs which have made profit in the last three years continuously, pre-tax profit is Rs.30 crores or more in at least one of the three years and have a positive net worth are eligible to be considered for grant of Miniratna-I status

1.4 HINDUSTAN AERONAUTICS LTD (HAL)

An independent profit center for providing Airport related services was created in May 2000 with a view to synergize the operation of HAL Bangalore Airport. The main aim of creation of this Airport Service Centre was to restructure the existing resources to provide focused attention in relation with the exacting market needs of service segment related to airlines operations and commercially exploit the available infrastructure of the Company at Bengaluru.

"Return on Asset (ROA) is **a profitability ratio.** Return on assets is a profitability ratio that provides how much profit a company is able to generate from its assets. In other words, return on assets (ROA) measures how efficient a company's management is in generating earnings from their economic resources or assets on their balance sheet."[1]

$$\text{ROA ratio} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100$$

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings.

2. Review Of Literature

Roy M. & Sabah N. (2014) in their paper analysed the performance of Oil and Natural Gas Corporation by using ratio analysis tool particularly those which are related to financial statement and find out the strength and weakness of the company and their position in the market for this balance sheet of 2010-2013 are used.

Taqi Muhammad (2013), in his paper evaluates the performance and efficiency of mineral and metal trading corporation during the period from 2000-01 to 2010-11 using various financial and statistical tools for analysis and interpretation of the data obtained basically from the published reports of the corporation. Researcher examines that the profitability position of the corporation is not very impressive. The gross and net profit ratio does not show a good indication regarding profitability. The main reason of low profit is very high cost of sales and other related direct expenses.

3. Research Methodology

3.1 Research Objectives

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

H2: There is a statistically significant difference in management efficiency ratios of the two select Public Sector "Maharatna" and "Miniratna" 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 2010-11 to year 2019-20.

3.4 Statistical Tools:

In this study statistical tools like arithmetic mean and standard deviation have been used to calculate the average of Return on Assets ratios. Also, the relationship between profitability of these companies have been found out. Statistical technique like ANOVA test has been used.

4 DISCUSSION OF RESULTS

Table 4.1 The Return on Assets Ratios (%) from 2010-11 to 2019-20

Year	PGCI	HAL
2010-11	3.44	0.00
2011-12	3.50	0.00
2012-13	3.80	5.57
2013-14	3.21	3.97
2014-15	3.13	1.59
2015-16	3.32	3.54
2016-17	3.80	5.09
2017-18	3.64	4.21
2018-19	4.05	4.59
2019-20	4.30	5.39
Average	3.62	4.24

(Source: moneycontrol.com)

Table 4.1 shows that,

- Return on Assets ratios of PGCI and HAL from financial year 2015 to financial year 2019.
- It was observed that the mean value is 3.62 for PGCI and HAL is having mean value 4.24.
- In the case of PGCI, the highest Return on Assets Ratio is 4.05 in the years 2018-19 and lowest is 3.13 in 2014-15.
- In the case of HAL, the highest Return on Assets Ratio is 5.39 in the years 2019-20 and lowest is 0.00 in 2010-11 and 2011-12.

One Factor ANOVA						
Source of Variation	*SS*	*Df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	0. 25088	1	0. 25088	0. 108567	0. 745585	4. 413873
Within Groups	41.59514	18	2.310841			
Total	41.84602	19				

The ANOVA test shows that P-value is 0.745585, which is greater than significance value 0.05. Therefore, there is no statistically significant difference in Return on Assets ratios of the selected PGCI and HAL companies.

CONCLUSION

The study may be concluded from the above discussion that return on assets of PGCI fluctuating trend whereas in the case of HAL it is increasing trend from the period of 2010-11 to 2019-20. Excepting some of the profitability ratios and management efficiency ratios of PGCI and HAL which have considered for the study there is no correlation exist between the Return on Assets ratio. ANNOVA TEST of the Return on Assets ratio, it is evident that the two companies are not dependent only on the management efficiency ratios there are other factors which affect the profitability of the companies.

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