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A Study on Financial Performance of Hindustan Copper Limited

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Abstract: *The Present Study Of The Research Entitled “A STUDY ON FINANCIAL PERFORMANCE OF HINDUSTAN COPPER LIMITED”. The study was based on secondary data. The ratio analysis is the process of identifying the financial accuracy and cost effectiveness of the firm. The financial performance of financial statements for balance sheet and profit and loss account aimed at diagnosing the liquidity, profitability and financial condition of a business concern. The study aims to identify overall financial performance of the Hindustan copper limited and suggest to suitable measures to improve the performance of the company.*

Keywords: *Copper, Ratio, Profitability, Solvency*

I. INTRODUCTION

Finance is the life blood of every business. Finance is one of the bases of all kinds of economic activities. It is the master key which provides access to all the sources for being used in manufacturing and merchandising activities. It has correctly been said that business needs money to make more money.

II. REVIEW OF LITERATURE

Andrew & Schmidgall, (1993) Financial ratio analysis has been extensively employed to assess the financial performance of operations for a long time by investors, creditors, and managers. It permits them to obtain more valuable information from financial statements than they can receive simply from reviewing the absolute numbers reported in the documents. Traditional ratios are derived from statement of income and statement of financial position. Several ratios are used performance measurement in terms of profitability, liquidity and solvency.

According to Mills and Yamamura (1998), a business's true economic health can no longer be fully measured with an accrual basis accounting system alone. For years, lenders, rating agencies, and Wall Street analysts have been using cash flow ratios in evaluating risks associated with their investments. Previous research has claimed that the SCF has provided creditors, investors, and managers with even more useful information for analyzing the financial structure of an operation when compared to traditional income statement and balance sheet.

Ross, Westerfield, & Jordan, 2003 described the Financial ratios, which are calculated by using variables commonly found on financial statements, can provide the following benefits

- 1) Measuring the performance of managers for the purpose of rewards;
- 2) Measuring the performance of departments within multi-level companies;
- 3) Projecting the future by supplying historical information to existing or potential investors;
- 4) Providing information to creditors and suppliers;
- 5) Evaluating competitive positions of rivals;
- 6) Evaluating the financial performance of acquisitions.

III. OBJECTIVES OF THE STUDY

- 1) To analyse and identify the solvency and profitability positions of the company.
- 2) To propose suitable solutions for improvement of Hindustan copper limited.

A. Profile Of The Company

Hindustan Copper Limited (HCL), a public sector activity under the administrative control of the Ministry of Mines, was incorporated on 9th November 1967. The central office is located at Kolkata which is the capital of the West Bengal state in India. It has the distinction of being the nation's only vertically integrated copper producing company as it manufactures copper right from the stage of mining to beneficiation, smelting, refining and casting of refined copper metal into downstream saleable products. The

Company markets copper cathodes, copper wire bar, continuous cast copper rod and by-products, such as anode slime (containing gold, silver, etc.), copper sulphate and sulphuric acid. In normal practice, more than 90% of the sales revenue is generated from cathode and continuous cast copper rods. HCL also produces gold silver, nickel sulphate, selenium, tellurium and fertiliser as by products. It is the first Indian Copper Producer to be accredited with ISO 9002 certification for Continuous Cast Rod Manufacturer at its Taloja Plant and for manufacture of cathode at its refineries both at Indian Copper Complex, Ghatsila, Jharkhand and Khetri Copper Complex, Khetri, Rajasthan.

IV. SOLVENCY RATIOS

A. Current Ratio

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

YEAR	CURRENT ASSET	CURRENT LIABILITY	CURRENT RATIO
2013-2014	1254.96	1104.04	1.14
2014-2015	1311.21	748.09	1.14
2015-2016	990.29	311.26	1.75
2016-2017	1037.30	245.05	3.18
2017-2018	1228.71	352.33	4.23

From the above table it is evident that the current ratio is 1.14 for the year 2013- 2014. The current ratio remains same for the year 2014-2015. there is a raise in the current ratio by 1.75 for the year 2015-2016. there is a raise in the current ratio by 3.18 for the year 2016-2017. Again there is a raise in the current ratio by 4.23 for the year 2017-2018.

B. Liquidity Ratio

$$\text{Liquidity Ratio} = \frac{\text{Liquid Assets}}{\text{Liquid Liabilities}}$$

YEAR	LIQUID ASSET	LIQUID LIABILITY	LIQUID RATIO
2013-2014	466.34	1104.04	0.42
2014-2015	489.34	748.09	0.65
2015-2016	473.06	311.26	1.52
2016-2017	594.85	245.05	2.43
2017-2018	806.32	352.33	2.29

From the above table it is evident that the liquid ratio is 0.42 for the year 2013- 2014. There is a raise in the liquid ratio by 0.65 for the year 2014-2015. there is a raise in the liquid ratio by 1.52 for the year 2015-2016. there is a raise in the liquid ratio by 2.43 for the year 2016-2017. There is a decline in the liquid ratio by 2.29 for the year 2017-2018.

C. Proprietary Ratio

$$\text{Proprietary Ratio} = \frac{\text{Shareholder's Fund}}{\text{Total Tangible Asset}}$$

YEAR	SHAREHOLDERS FUND	TOTAL TANGIBLE ASSET	PROPRIETARY RATIO
2013-2014	1527.29	2184.24	0.70
2014-2015	1466.96	1939.02	0.76
2015-2016	1913.39	2120.52	0.90
2016-2017	1861.53	1861.53	1
2017-2018	1829.27	1829.28	1

From the above table it is evident that the proprietary ratio is 0.70 for the year 2013- 2014. There is a raise in the proprietary ratio by 0.76 for the year 2014-2015. There is a raise in the proprietary ratio by 0.90 for the year 2015-2016. There is a raise in the proprietary ratio by 1 for the year 2016-2017. The proprietary ratio remains same for the year 2017-2018.

D. Debt Equity Ratio

$$\text{Debt-Equity Ratio} = \frac{\text{Debt}}{\text{Equity}}$$

YEAR	DEBT	SHAREHOLDERS FUND	DEBT EQUITY RATIO
2013-2014	656.95	1527.29	0.43
2014-2015	472.07	1466.96	0.32
2015-2016	207.15	1913.39	0.11
2016-2017	0	1861.53	0
2017-2018	0	1829.27	0

From the above table it is evident that the Debt -equity ratio is 0.43 for the year 2013- 2014. There is a decline in the Debt -equity ratio by 0.32 for the year 2014-2015. There is a decline in the Debt -equity ratio by 0.11 for the year 2015-2016. There is a decline in the Debt -equity ratio by 0 for the year 2016-2017. The Debt -equity ratio remains same for the year 2017-2018.

V. PROFITABILITY RATIO

A. Gross Profit Ratio

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

YEAR	GROSS PROFIT	SALES	RATIO (%)
2013-2014	312.74	1684.25	18.52%
2014-2015	241.15	1203.96	20.02%
2015-2016	167.16	968.76	17.25%
2016-2017	195.35	1015.55	19.23%
2017-2018	155.43	1488.88	40.26%

From the above table it is reveals that the gross profit ratio is 18.52% for the year 2013- 2014. There is a raise in the gross profit ratio by 20.02% for the year 2014-2015. There is a decline in the gross profit ratio by 17.25% for the year 2015-2016. There is a raise in the gross profit ratio by 19.23% for the year 2016-2017. There is a raise in the gross profit ratio by 40.26% for the year 2017-2018.

B. Net Profit Ratio

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

YEAR	NET PROFIT	SALES	RATIO(%)
2013-2014	79.61	1684.25	4.72%
2014-2015	61.94	1203.96	5.14%
2015-2016	43.56	968.76	4.49%
2016-2017	67.60	1015.55	6.65%
2017-2018	286.42	1488.88	19.23%

From the above table it is reveals that the Net profit ratio is 4.72% for the year 2013- 2014. There is a raise in the Net profit ratio by 5.14% for the year 2014-2015. There is a decline in the Net profit ratio by 4.49% for the year 2015-2016. There is a raise in the Net profit ratio by 6.65% for the year 2016-2017. There is a raise in the Net profit ratio by 19.23% for the year 2017-2018.

C. Operating Profit Ratio

$$\text{Operating Profit ratio} = \frac{\text{Operating Profit}}{\text{Sales}} \times 100$$

YEAR	OPERATING PROFIT	SALES	RATIO (%)
2013-2014	280.67	1684.25	16.66%
2014-2015	218.02	1203.96	18.10%
2015-2016	118.39	968.76	12.22%
2016-2017	128.45	1015.55	12.64%
2017-2018	504.71	1488.88	33.89%

From the above table it is reveals that the operating profit ratio is 16.66% for the year 2013- 2014. There is a raise in the operating t profit ratio by 18.10% for the year 2014-2015. There is a decline in the operating profit ratio by 12.22% for the year 2015-2016. There is a raise in the operating profit ratio by 12.64% for the year 2016-2017. There is a raise in the operating profit ratio by 33.89% for the year 2017-2018.

VI. SUGGESTIONS

- A. The company should maintain the same level of working capital.
- B. The firm should sustain their Solvency position.

VII. CONCLUSION

The analysis of the company was undertaken with the help of ratios, which are important tools of financial analysis. In general the company has achieved tremendous progress over the recent years. The company’s performance is satisfactory. The study gives a clear idea of the financial performance of the company over the last five years. If they improved their customer service and technology they will come up with the standard level. This study reveals the findings and recommendation which would be useful for the development and improvement to the company.

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