

# A Study on Financial Performance Analysis of National Aluminum Company(Nalco)

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## 1.1. Introduction Ratio Analysis

Proportion investigation is the way toward deciding and deciphering mathematical relationship dependent on budget summary. It is an appraisal of one number in relationship should be set up based on some logical and sensible strategies. Subsequently a proportion is a numerical connection between two things and communicated in quantitative structure. At the point when this meaning of proportion is disclosed concerning the things appeared in fiscal reports, at that point it called "Bookkeeping Ratio's. Subsequently, a bookkeeping proportion is characterized as quantitative connection between at least two things of the budget reports.

### Nature of Proportion Examination

Proportion examination is an incredible too of monetary investigation. In completed examination a proportion is utilized as a benchmark for assessing the monetary position and execution of a firm. The supreme bookkeeping figures detailed in the fiscal summaries to not give a significant comprehension of the exhibition and monetary places of a firm. A bookkeeping figure passes on significance when it is identified with some other applicable data.

### Benefits of Proportion Examination

- It encourage entomb firm similar. It uncovers how well it serves. As a valuable guide in finale gauging future patterns can be known in propels dependent on proportions identifying with part deals, benefits and monetary position.
- 2. It encourages comparatives investigation of the exhibition and, progress of a firm over a time of years. Such an investigation will uncover the bearings where the organizations are moving.
- 3. It fills in as a helpful device for cost control. It uncovers now e productive a firm is overseen and how viably its resources are used.

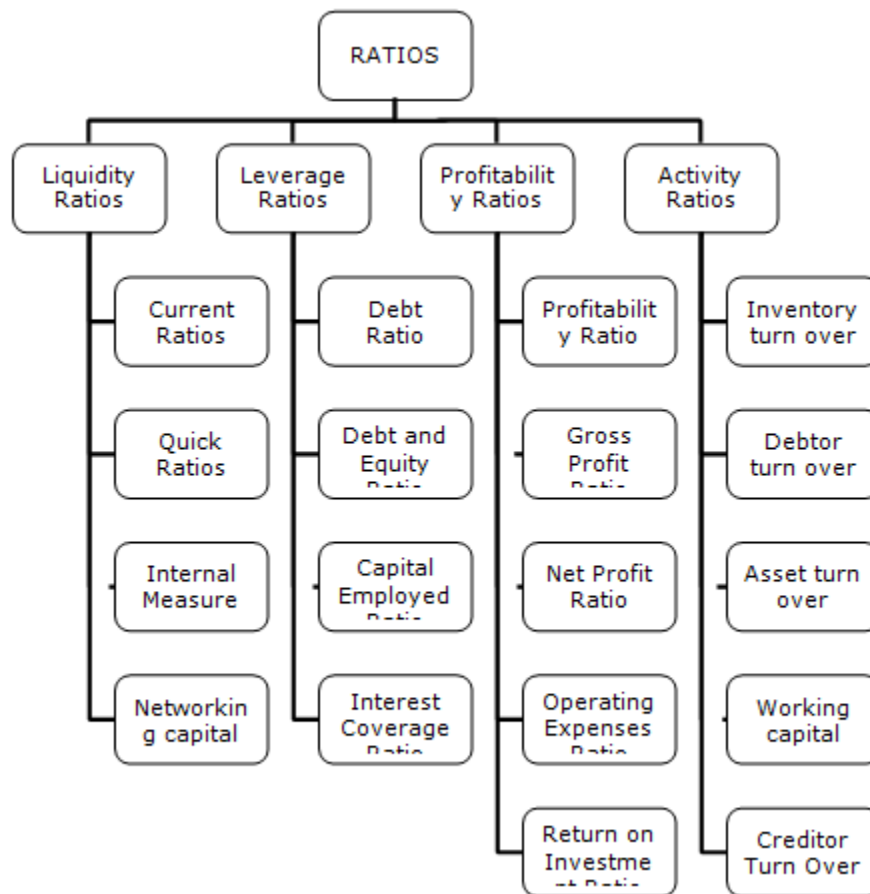
It fills in as methods for Fellowships to investigate the strength and life partner remaining of a firm to the administration and outside parties.

☐ It encourages pattern investigation. It uncovers the advancement or decay of a firm throughout the long term.

Coming up next are typically the targets for which proportion investigation is directed.

- To assess finale position and execution of a firm.
- To show the pattern or progress falls of a firm.
- To evaluate the credit grittiness of firm.
- To evaluate the productivity with which working capital is being utilized a firm.

### Types of Ratios



### 2.1 Objectives of The Study

- To determine the Ratio Analysis of to the company by its prospects.
- To analysis the leverage position of the company.
- To analyze the profitability of the company.
- To analyze the turn over position of the company.

### 2.2. Need for the Study

- The purpose of doing the project is to study the working of the company with reference to financial management.

- To analyze the company's trends for the last five years.
- To assess the overall financial strength of the company.
- It is the necessary to note that ratio reflects a quantitative relationship which helps to form a quantitative judgment.
- It is the overall responsibly the management to see whether the resource of the firm are used most effectively of efficiently and the firm's financial condition in sound.

### **2.3. Research Methodology**

**Type of Research:** Descriptive research

#### **Data Collection**

**Primary Data:** Firsthand information was collected from experts of finance department, on their course of actions towards collections.

**Secondary Data:** The Secondary data that is required for the studies is collected from the Schedules, past notes, Budgets, through company websites and other statements provided by Finance Department of **SeconalLtd.**

### **2.4. Limitations Of The Study**

- The information used is primarily from historical reports available to the public and the same doesn't indicate the current situation of the firm.
- Detailed analysis could not be carried for the project work because of the limited time span.
- Since financial matters are sensitive in nature these same could not be acquired easily.

#### **2.4.1. Testing Tools**

**Financial Tools:** The data relating to the performance of Man gal precision products private ltd drawn from the different sources have been carefully and meaning fully analyzed by using well established and financial tools.

**Classification of Ratios:** So many ratios, calculated from the accounting data can be grouped into various according to financial activity or function to be evaluated. The parties interested in financial analysis are short and long creditors, owners and management. we may classify them into the following four important categories.

- Liquidity Ratios
- Leverage Ratios
- Activity Ratios
- Profitability Ratios

**Liquidity Ratios:** Liquidity ratios measure the ability of the firm to meet its obligations. Liquidity ratios help in establishing a relationship between cash and other current assets to current to current

obligations to provide a quick measure of liquidity.

### 1. Current Ratio

$$\text{CURRENT RATIO} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

### 2. Quick Ratio

$$\text{QUICK RATIO} = \frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$$

### 3. Networking Capital Ratio

$$\text{NETWORKING CAPITAL RATIO} = \frac{\text{Networking Capital}}{\text{Net Assets}}$$

## 2. Leverage Ratios

The short-term creditors, like bankers and suppliers of raw material, are more concerned with the firm's current debt-paying ability.

### 1. Debt Ratio

$$\text{DEBT RATIO} = \frac{\text{Total Debt}}{\text{Total Debt} + \text{Net Worth}}$$

Total Debt + Net worth

### 2. Debt Equity Ratio

$$\text{DEBT-EQUITY RATIO} = \frac{\text{Total Debt}}{\text{Net Worth}}$$

Net Worth

### 3. Capital Employed to Net Worth

Capital Employed

$$\text{CAPITAL EMPLOYED TO NET WORTH} = \frac{\text{Capital Employed}}{\text{Net Worth}}$$

Net Worth

## 3. Activity Ratios

Activity ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets.

### 1. Inventory Turnover Ratio

Sales

$$\text{INVENTORY TURNOVER RATIO} = \frac{\text{Sales}}{\text{Average Inventory}}$$

Average inventory

$$\text{AVERAGE INVENTORY} = \frac{\text{Opening} + \text{Closing Inventory}}{2}$$

2. Debtors or Accounts Receivable Turnover Ratio:

$$\text{DEBTORS TURNOVER} = \frac{\text{Credit Sales}}{\text{Average Debtors}}$$

Average Debtors

$$3. \text{ Average collection period: } \frac{\text{Debtors}}{\text{Sales}} \times 360$$

$$\text{AVERAGE COLLECTION PERIOD} = \frac{\text{Debtors}}{\text{Sales}} \times 360$$

#### 4. Profitability Ratios

A company should earn profits to survive and grow over a long period of time. Profit is the difference between revenues and expenses over a period of time.

Generally, two major types of profitability ratios are calculated:

- Profitability in relation to sales.
- Profitability in relation to investment.

##### 1. Gross Profit Margin:

$$\text{GROSS PROFIT MARGIN} = \frac{\text{Sales} - \text{Cost of Goods Sold}}{\text{Sales}}$$

##### 2. Net Profit Margin

$$\text{NET PROFIT MARGIN} = \frac{\text{Profit after Tax}}{\text{Sales}}$$

##### 3. Operating Expenses Ratio

$$\text{OPERATING EXPENSES RATIO} = \frac{\text{Operating Expenses}}{\text{Sales}}$$

##### 4. Return On Equity (ROE)

$$\text{RETURN ON EQUITY} = \frac{\text{Profit after Taxes}}{\text{Net worth}}$$

## 5. Earnings Per Share

Profit after Tax

EARNING PER SHARE=

Number of share holders

## 6. Equity Ratio (or) Equity Ratio

Shareholders' Funds

EQUITY RATIO=

Total Assets

### 1. Book value per share

BOOK VALUE PER SHARE=Net worth

Number of Equity Shares

## 2.6. Scope of the Study

The scope of the study is to give a clear picture about the financial position of Lance Industries Limited and to identify the shortcomings & to suggest the measure to overcome the problem if any. The present study is concerned with the analysis of financial statements with the help of a powerful tool like ratio analysis. It covers various ratios like liquidity ratios, activity ratios, leverage ratios, profitability ratios

## 2.7. Limitations

- The study will be only a provisional one based on the data collected from the reports and the accounts during the period and it's subject to refinement.
- The Duration for the study was only for two months where time is limited factor.
- The analysis was confined to **SeconalLtd** only.

## Data Analysis and Interpretation

**Liquidity Ratios:** The most common liquidity ratios a Recurrent Ratio, quick ratio, cash ratio.

### Current Ratio

Year	Current Ratio	Current Capabilities	Ratio
2015-2016	184555	80548	2.29
2016-2017	254582	117406	2.16

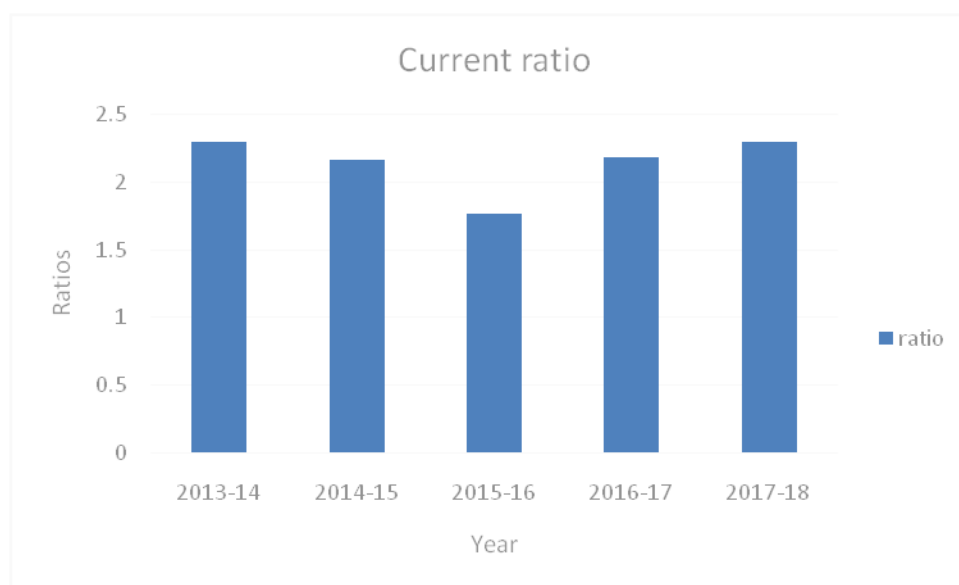
2017-2018	283848	161246	1.76
2018-2019	326042	149156	2.18
2019-2020	398555	173653	2.29

Current Assets

CURRENT RATIO = .....

Current Liabilities

**Source:** figures compiled from Annual reports of NALCO Ltd., Bangalore.



**Interpretation:** Current ratio of the company is above the standard ratio is 2:1. In all the years

- In the year 2015-16 the current was 2.29
- In the year 2016-17 the current ratio was to 2.16 when compared to 2015-16
- 2015-16 the current ratio decreased to 1.76 when compared to previous years
- In the year 2016-17 the current ratio increased to 2.18 when compared to 2015-16
- In the year 2017-18 the current ratio was 2.29.

### Quick Ratio

Quick ratio also called acid-test ratio, establishes a relationship between quick, or liquid, assets and current liabilities. An asset is a liquid if it can be converted into cash immediately or reasonably soon without a loss of value. Cash is the most liquid asset.

Current Assets – Inventories

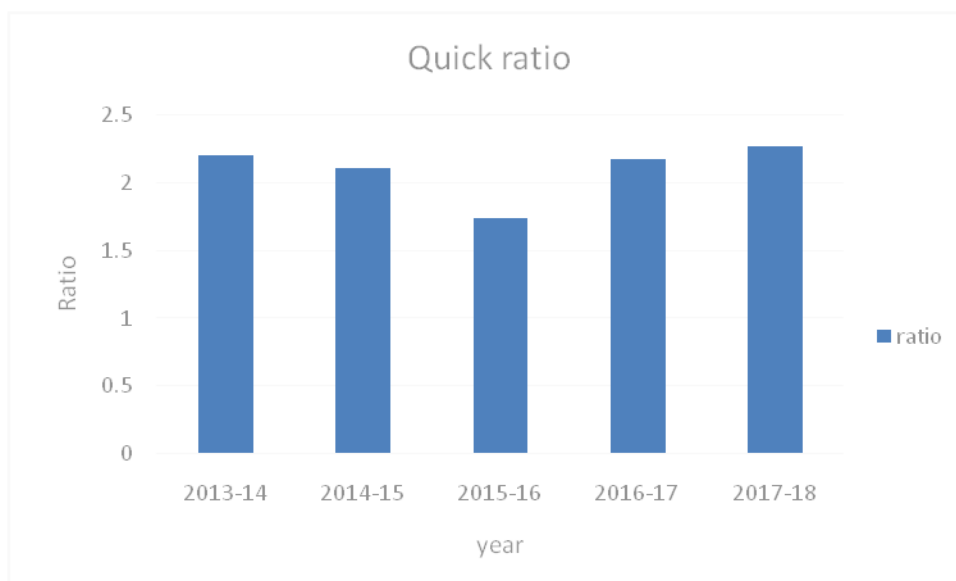
Quick Ratio = -----

Current Liabilities

(Rs. In Lakhs)

Years	Quick Asset	Quick Liabilities	Ratio
2015-16	177306	80548	2.20
2016-17	246731	117406	2.10
2017-18	28063	11246	1.74
2018-19	323759	149156	2.17
2019-20	393761	173653	2.26

Source: Figures Compiled from Annual Reports of NALCO Ltd., Bangalore.



**Interpretation:** Quick ratio is Streisand 1:1

- In 2017-18 the ratio was 2.20
- In 2016-17 the ratio was 2.10
- In the year 2017-18 the quick asset ratio is 1.74
- In the year 2016-17 the quick asset ratio increased to 2.17
- In 2019-20 the quick asset ratio is increased to 2.2



## Cash Ratio

It is Suggested that it would be useful for the Management if the liquidity measure also takes into account reserve borrowing power as the firm's real debt paying ability depends monotonically on the cash resources available with it but also on its capacity to borrow from the market at short notice. "Absolute Liquid Assets include cash-in-hand and at bank and marketable securities or temporary investments". This ratio may be expressed as Under:

ABSOLUTE LIQUID RATIO = ABSOLUTE LIQUID ASSETS/

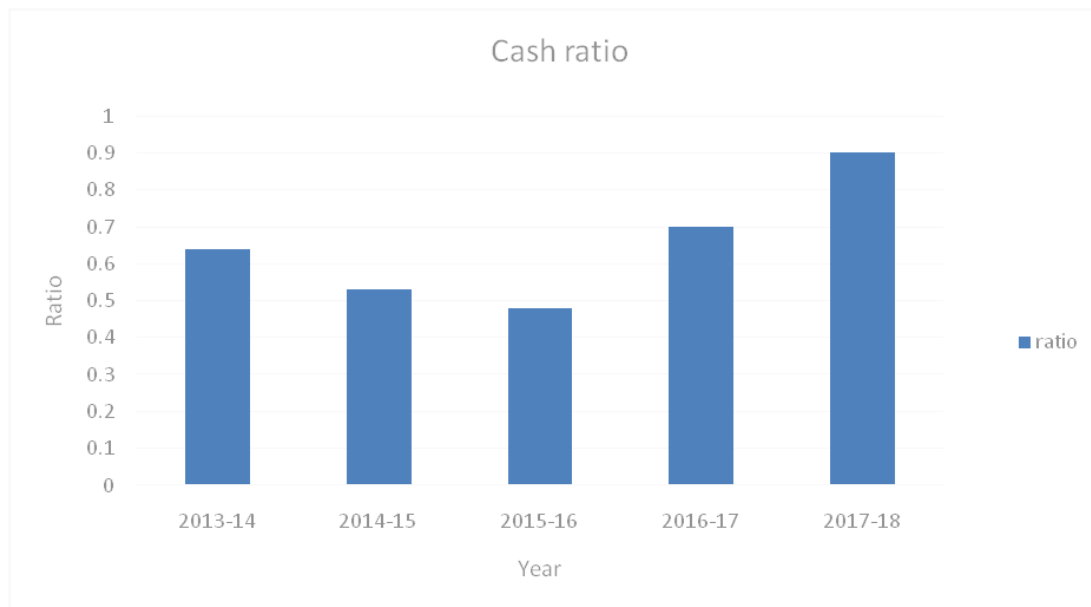
CURRENT LIABILITIES

ABSOLUTE LIQUID ASSETS = CASH & BANK BALANCE

(Rs. In Lakhs)

Years	Cash & bank balance	Current Liabilities	Ratio
2015-16	52033	80548	0.64
2016-17	62328	117406	0.53
2017-18	78004	161246	0.48
2018-19	105549	149156	0.70
2019-20	156675	173653	0.90

**Source :**Figure compiled from Annual reports of NALCO Ltd., Bangalore.



**Interpretation:** Cash ratio is Streisand 0.5:1

- In 2017-18 the ratio was 0.64
- In 2016-17 the ratio 0.53
- In the year 2017-18 the cash ratio is 0.48
- In the year 2016-17he cash ratio increased to 0.70
- In 2019-20 the cash ratio increased to0.90

**Net Working Capital Ratio:** Working capital of a concern directly related the current assets like debtors, bills receivable, and cash, stock etc, changes within the increase or decrease in sales. The working capital is takes as

Working Capital = Current Assets – Current Liabilities

Working capital turnover ratio indicates number of times the working capital is turned over in the course of year. This ratio measured the efficiency with which the working capital is being used by a firm.

Net working capital

This ratio can be calculated as: = -----

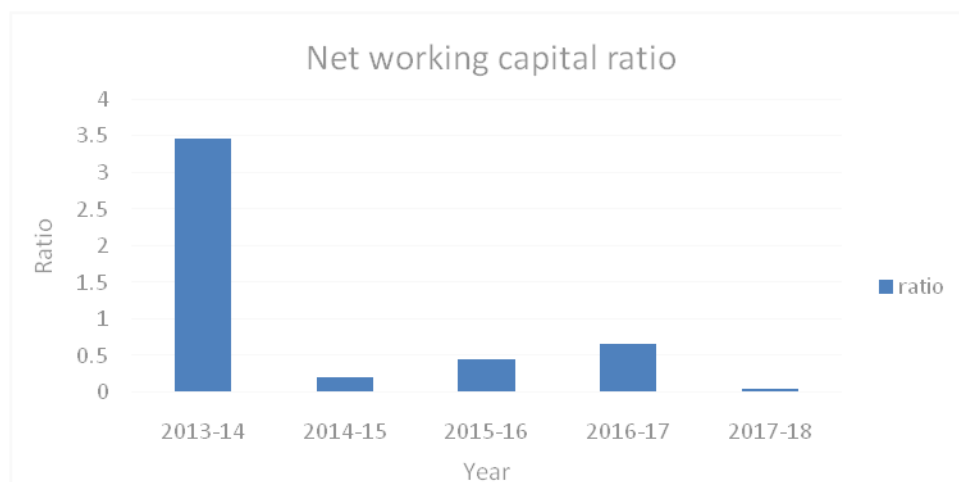
Net assets

(Rs .In Lakhs)

Years	Net Working Capital	Net asset	Ratio
2015-16	7049.23	18525.70	0.38
2016-17	10766.81	24158.08	0.45
2017-18	12007.94	26388.35	0.45
2018-19	19757.94	28239.98	0.69
2019-20	18027.77	27759.09	0.64

Source: Figure complied from Annual reports of NALCO Ltd., Bangalore.

### Net Working Capital Ratio:



**Interpretation:** Debt ratio is decreasing trend in the year 2016-17. It indicates the long term debt polices in the company. It reduces the debt pressure in capital employee.

### 1. Leverage Ratio's

#### Debt Ratio

The debt turnover ratio establish the relationship between total debt are secured loans plus unsecured loans by net worth, share capital plus reserves & surplus earning per ration calculated as

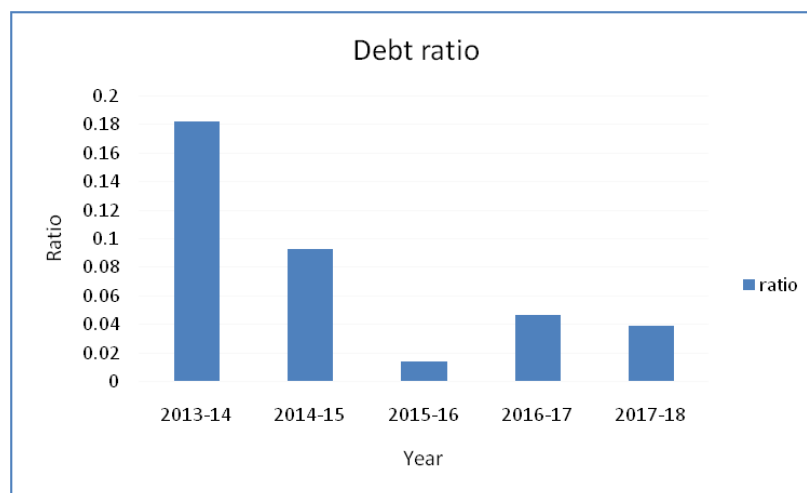
$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Debt} + \text{Net Worth}}$$

(Rs. In Lakhs)

Years	Total Debt	Total Net Worth	Ratio
2015-16	47441	260650	0.182
2016-17	25028	268553	0.093
2017-18	3525	245820	0.014
2018-19	14654	308213	0.47
2019-20	14216	360432	0.039

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.

### Debt Ratio



**Interpretation:** Debt ratio is decreasing trend in the year 2017-18. It indicates the long term debt polices in the company. It reduces the debt pressure in capital employee.

**Debt Equity Ratio:** Debt equity ratio is also known as external internal equity ratio is calculated to measure the relative claims of outsiders and the owners against the firm's assets. This ratio indicates the relationship between the external equity or the outsiders fund and the internal equity or shareholders of the funds thus this ratio is calculated as

Total Debt

Debt Equity Ratio = -----

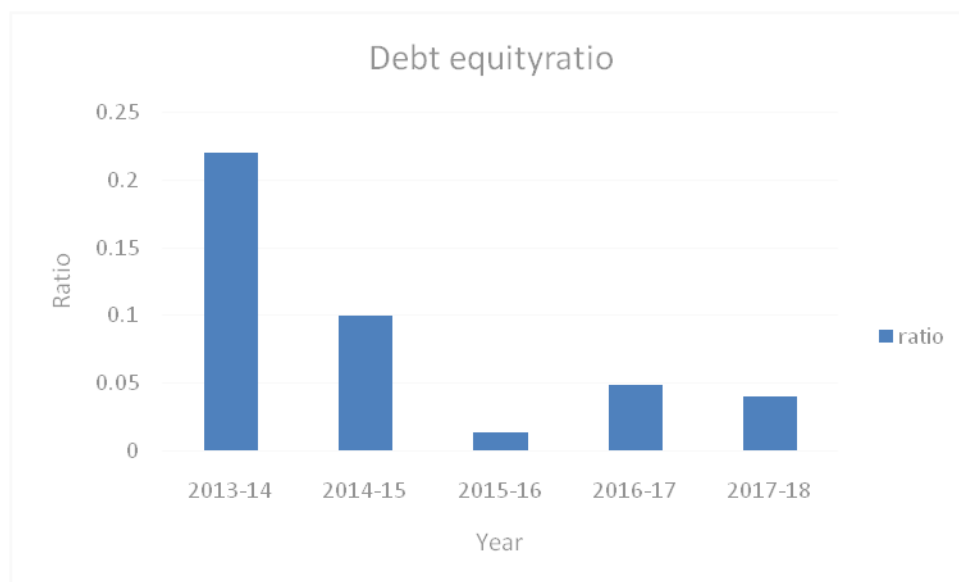
Net Worth

(Rs. In Lakhs)

Years	Total Debt	Total Net Worth	Ratio
2015-16	47441	213209	0.22
2016-17	25028	243525	0.10
2017-18	3525	242295	0.014
2018-19	14654	293559	0.049
2019-20	14216	346216	0.041

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.

### Debt Equity Ratio



**Interpretation:** It is inferred from the above table that the debt-equity ratio is fluctuating from year by year. In the year 2016-2017 the ratio has been increased in the year (3.31) and again it is decrease to 2.69 in the year 2017-2018 and the ratio has been increased to 3.04.the ratio Shows a large Share of financing by the creditors as compared to the shareholders. The lower ratio shows the higher the degree of protection enjoyed by the creditors.

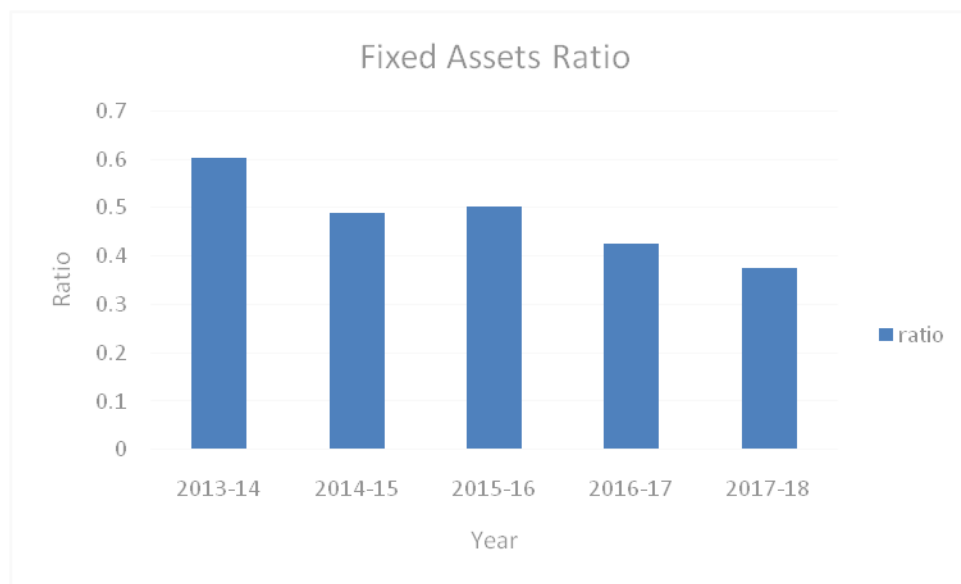
**FIXED ASSETS RATIO:** The ratio explains abolish sufficient long UT whether the firm as found to need fixed assets impairments.

### Fixed Assets

Fixed Assets Ratio = Capital employee

Year	Fixed Assets	Capital Employee	Ratio
2015-2016	176643	260650	0.6010
2016-2017	131377	268553	0.4892
2017-2018	123218	245820	0.5013
2018-2019	131327	308213	0.4261
2019-2020	135530	360432	0.3750

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.



**Interpretation:** This ratio measures of the efficiency of the assets use. The high ratio is better performance. On the motherland, a low dedicating that fixed assets are not being efficaciously utilized. Therefore the

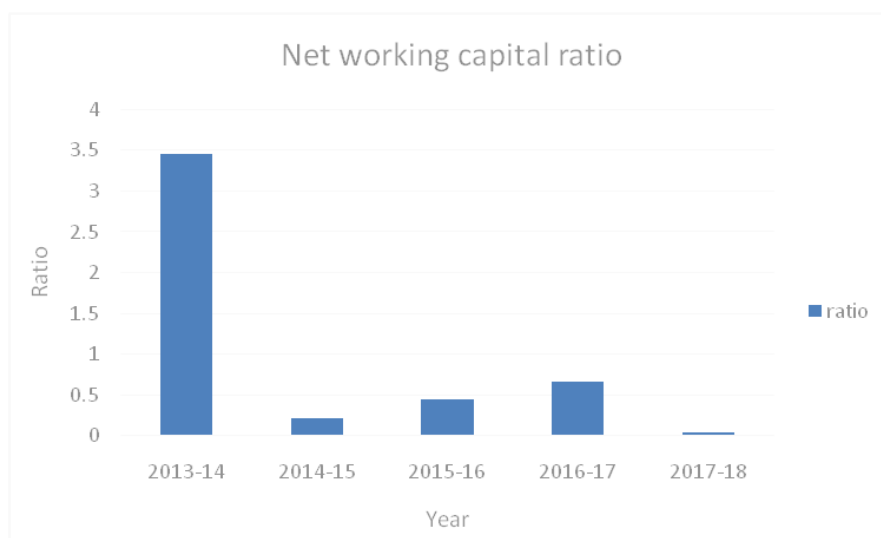
**Net Working Captial Ratio:** The difference between current assassinated current liabilities excluding short term bank borrowing is called net working capital it is sometimes used Asama measure of a firm's liquidity. It considerable that between two its firms the one have a largest networking capital abs the integrate liability to meet its current obligations.

### Net Working Capital

Net Working capital = Net assets

YEAR	Net Working Capital	Net Assets	Ratio
2015-2016	633138	94930352	3.45
2016-2017	1916752	8837584	0.21
2017-2018	4008203	8845519	0.45
2018-2019	13491374	19921649	0.67
2019-2020	117617	21275690	0.05

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.



**Interpretation:** From the above table networking capital ratio is fluctuating trend networking capital ratio I breach highest points in 2017-2018 after it continual decreasing.

**Activity Ratio's:** Funds of creditors and owners are inveigh in various assets to generate sales and sales and profits. Activity ratio is employed to evaluate the effeminacy with which the faith damages and utilizes its assets. These ratios indicate speed with eh assets are being converted or and turned over into sales and involve the relationship between sales and assets.

- Inventory reverberation
- Debtor's turnover ratio
- Total asset turnover ratio
- Fixed and current assets turnover ratio
- Working capital turnover ratio
- Creditor's turnover ratio.

**Inventory Turnover Ratio:** This ratio indicates the number of times inventory is replaced during the year. It measures how quickly inventory is sold. The inventory turnover reflects the efficiency of firm in producing and selling its products .this ratio indicates the velocity or the movement of goods during year.

INVENTORY TURNOVER RATIO = NET SALES/

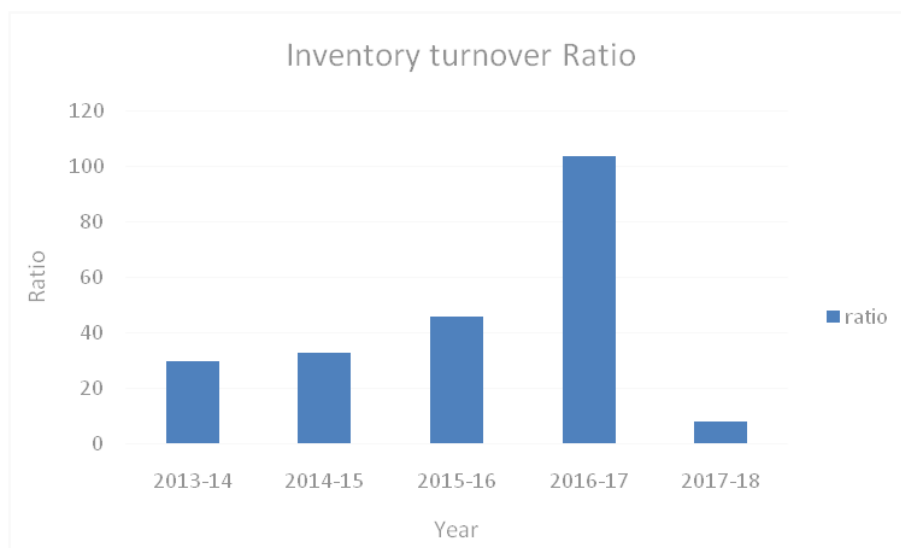
AVERAGE INVENTORY

(Rs. In Lakhs)

Years	Cost of Goods Sold	Arbitrage Inventory	Ratio
2015-16	200016	6659	30.03
2016-17	250248	7550	33.14
2017-18	253213	5528	45.80
2018-19	284123	2744	130.54
2019-20	298744	35957.5	8.30

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.

### Inventory Turnover Ratio



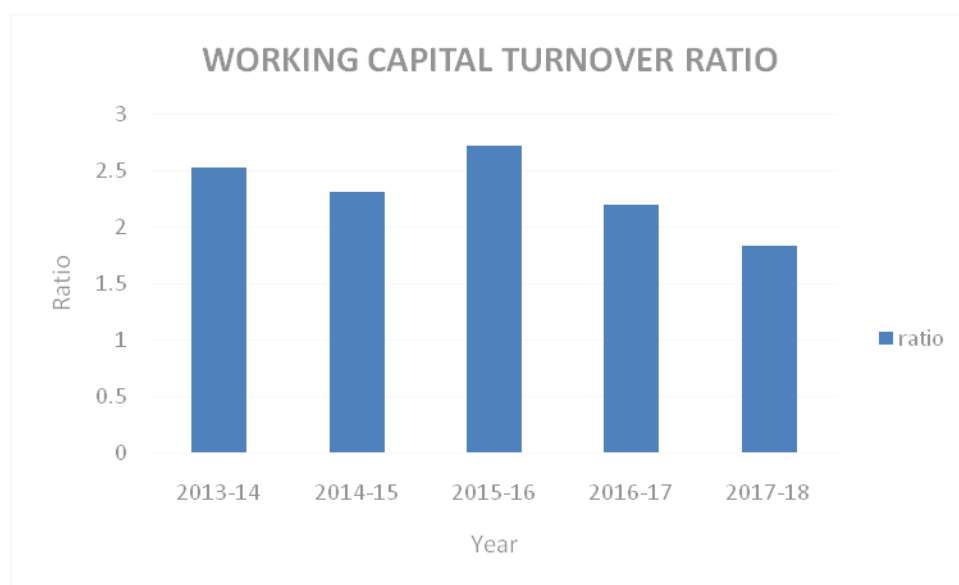
**Interpretation:** It is inferred from the above table that the inventory Turnover ratio, is increasing from 2016-2017 usually high inventory turnover ratio indicates efficient management of inventory .Thus we can say that stock is properly utilized by the company.



**Working Capital Turnover Ratio:** This ratio is also known as Sales working Capital. It shows the number of times working capital is turned-over in a stated period. The higher is the ratio, the lower is the investment in working capital and the greater are the profits. It is calculated as follows.

Year	Net Sales	Net Fixed Assets	Ratio
2015-2016	263005	104007	2.5287
2016-2017	316829	13176	2.3097
2017-2018	332625	122602	2.713
2018-2019	387572	176886	2.1911

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.



**Interpretation:** This ratio measures the relationships between sales and net working capital. In this year 2017-2018 recorded as the highest working capital turnover ratio respectively. In the year 2016-2017 and 2017-2018 corrected as the lowest working capital turnover ratio. The higher coincides more favorable it is for the company.

**Total Assets Turnover Ratio:** Net Assets turnover can be computed simply dividing sales by total assets. A higher ratio is an indicator of over-trading of total assets while a low reveals idle capacitor. The traditional Streisand for the ratio is two times.

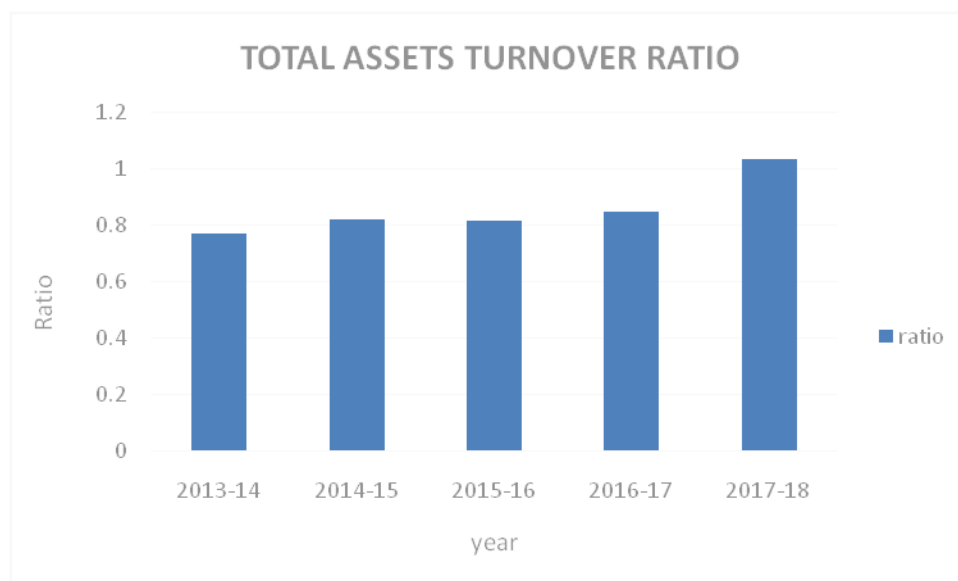
TOTAL ASSETS TURNOVER RATIO = SALES/

TOTAL ASSETS

(Rs. In Lakhs)

Year	Sales	Assets	Ratio
2015-16	263005	156643	1.6790
2016-17	316829	131377	2.4116
2017-18	332265	123218	2.6966
2018-19	387572	131327	2.9515
2019-20	412098	135530	3.0406

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.



**Interpretation:** The traditional Streisand for the ratio is two times. In the year 2017-18 got the higher total Assets Turnover ratio year 1.03 on other hand lower ratio got in the year 2017-18 of 0.77.

#### Fixed Assets Tur Nover Ratio:

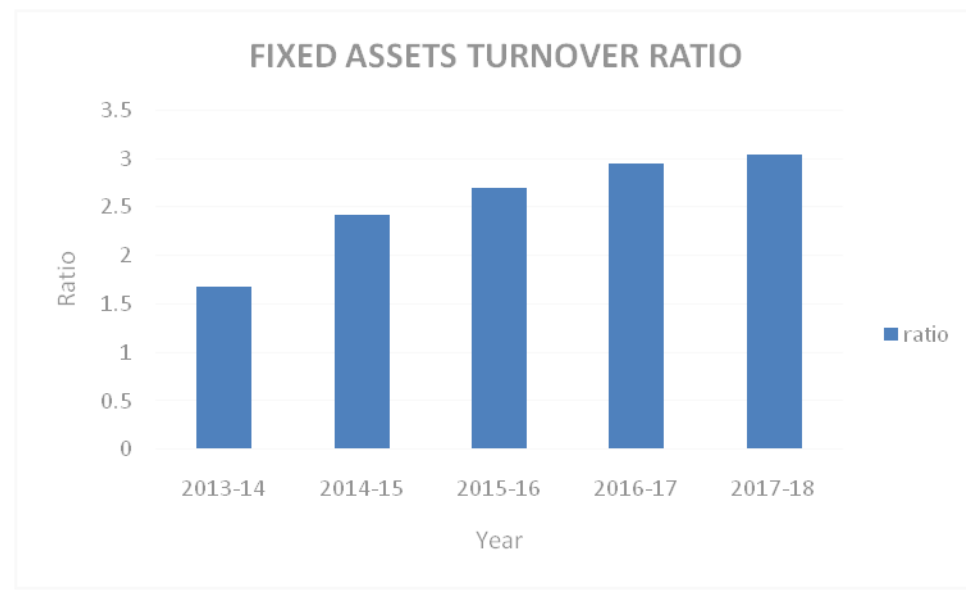
This ratio can be calculated for the purposes of finding relationships between “ the FIXED ASSETS” and with “SALES”. This ratio is calculated by using the following formula:

### Fixed Assets Turnover Ratio: Sales/ Fixed Assets

(Rs.In Lakhs)

Year	Sales	Fixed Assets	Ratio
2015-16	30295.60	18525.70	1.63
2016-17	36936.65	24158.08	1.53
2017-18	46365.63	26388.35	1.76
2018-19	64471.61	28329.98	2.28
2019-20	69057.96	27759.09	2.48

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.



**Interpretation:** This ratio measures the efficiency of the assets use. The high assets are not being efficiently utilized. Therefore the company utilized the fixed Assets effectually.

**Debtors Turnover Ratio:** This ration indicates debtors Carnation measures the constitute an important constituted of current assets and therefore the quality of debtors to a great extent determines a firm's liquidity. Two ratios are used by financial analysis to judge the liquidity of the firm. They are

- Debtor's Turnover Ratio
- Debtor's Collection Period

Debtor's turnover indicates the number of times turnover each year. It indicates are efficiency of the staff entrusted with collection of book debts. The higher the ratio; the better it is, since it would indicate that debts are being collected promptly.

Credit Sales

Debtors Turnover Ratio = -----

Average Debtors

Opening Debtors + Closing Debtors

Average Debtors = -----

2

(Rs. In Lakhs)

Years	Credit Sales	Debtors	Ratio
2015-16	30295.60	6706.59	4.52
2016-17	36936.65	7667.92	4.82
2017-18	46365.63	8814.31	5.26
2018-19	64471.61	11966.16	5.38
2019-20	69057.96	11845.80	5.82

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore

**Interpretation:** It is inferred from the above table that the debtor's turnover ratio is increasing year by year. In the year 2016-2017 is 4.52 and in the year 2017-2018 was 5.82 increased.

## 1. Profitability Ratio's

**Gross Profit Ratio:** The ratio established a relationship between gross profits in to sales. It is calculated by gross profit by sales. It indicates the position of trading result. The higher gross profit ratio is indicated better performance and lower gross profit ratio is shown unfavorable.

Gross Profit

Gross Profit Ratio = ..... X 100

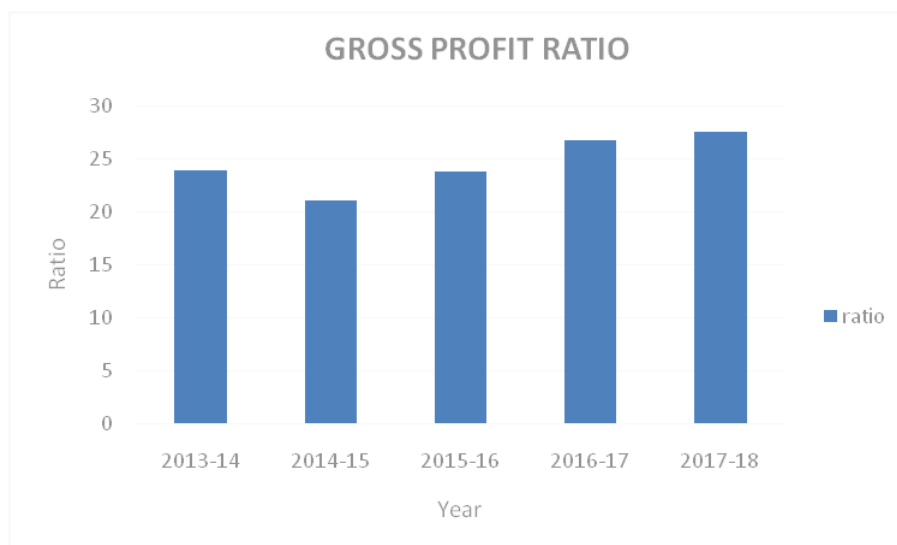
Sales

(Rs. In Lakhs)

Year	Gross profit	Sales	Ratio
2015-16	62989	263005	21.94
2016-17	66581	316829	21.01
2017-18	79052	332265	23.79
2018-19	103449	387572	26.69
2019-20	113354	41209823.94	27.50

Source :Figure complied from Annual reports of NALCO Ltd., Bangalore.

### Gross Profit Ratio



**Interpretation:** The gross ratio then it as 23.94 in 2017-18 and it decreased to 21.01 in the year 2016-17 and again then increased 23.79 in the year 2017-18 i.e., 26.69 later it is increased to year 2016-17 and finally increase to oin2017-2018.

**Net Profit Margin:** Net profit ratio establishes the relationship between net profit (after tax) and sales indicates the efficiency of the management in manufacturing, selling, administrative and other activities of the firm. This ratio is the overall measure of firm profitability and is calculated as

Profit after Tax

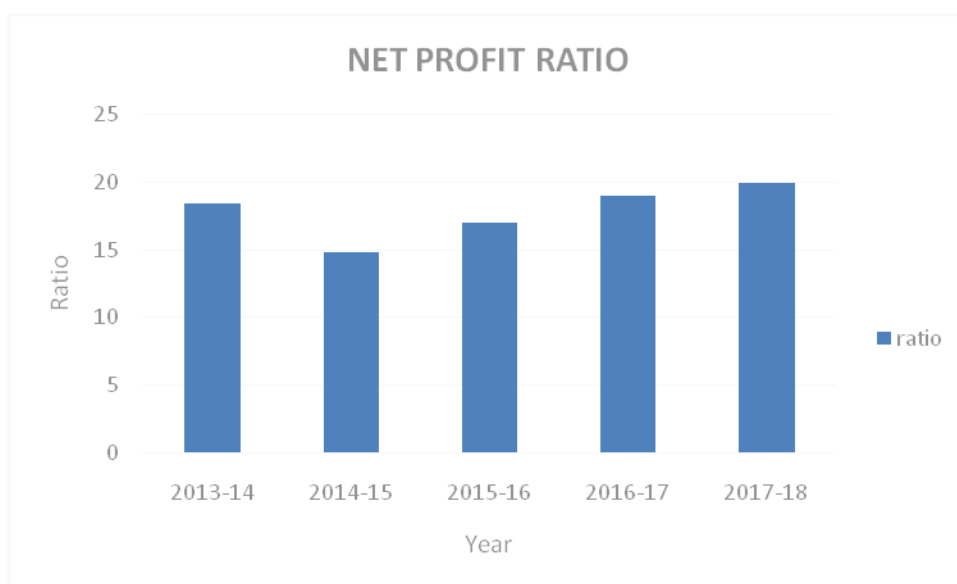
Net Profit Margin = -----

Sales

(Rs. In Lakhs)

Years	Profit After Tax	Sales	Ratio
2015-16	48437	263005	18.41
2016-17	46851	316829	16.78
2017-18	56502	332265	17.00
2018-19	73874	387572	19.06
2019-20	81931	412098	19.88

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.



**Interpretation:** inferred from the above table that the net profits is decrease in the years2016-17 and 2017-18 is continuously increasing.

### Operating Expenses Ratio

This ratio will be useful for the Purposes of finding the percentage of sales lower the ratio higher the profits and Reversal formula will be

OPERATING EXPENSES RATIO = OPERATING EXPENSES/

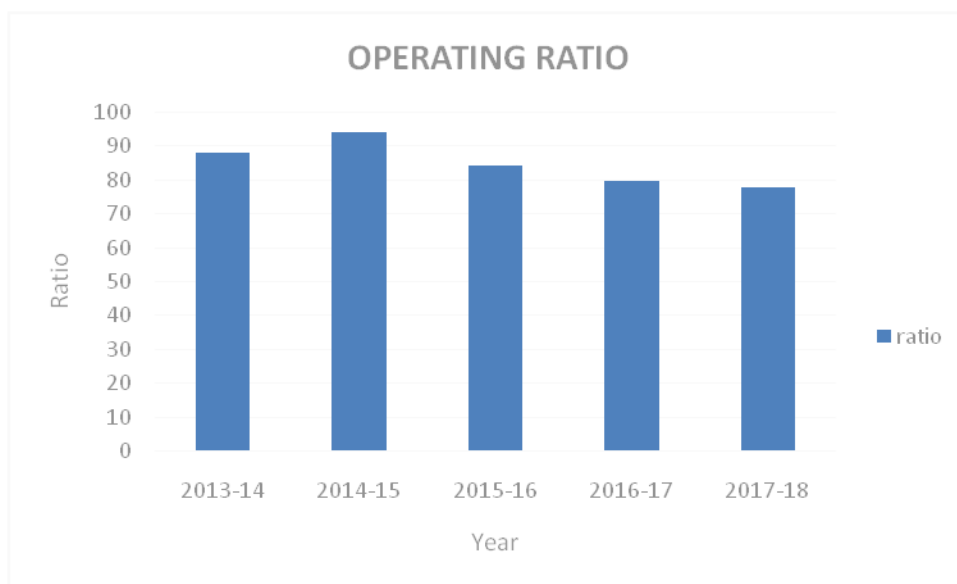
SALES

( Rs. In Lakhs)

Years	Operating Expenses	Sales	Ratio
2015-16	231606	263005	88.06
2016-17	297258	316829	93.82
2017-18	28004	332265	84.58
2018-19	309043	387572	79.73
2019-20	320799	412098	77.84

Source :Figure complied from Annual reports of NALCO Ltd., Bangalore.

### Operating Expenses Ratio



**Interpretation:** It is inferred from the above table that the Operating expenses has been fluctuating year by year really it good position for company .it should be maintained by company future.

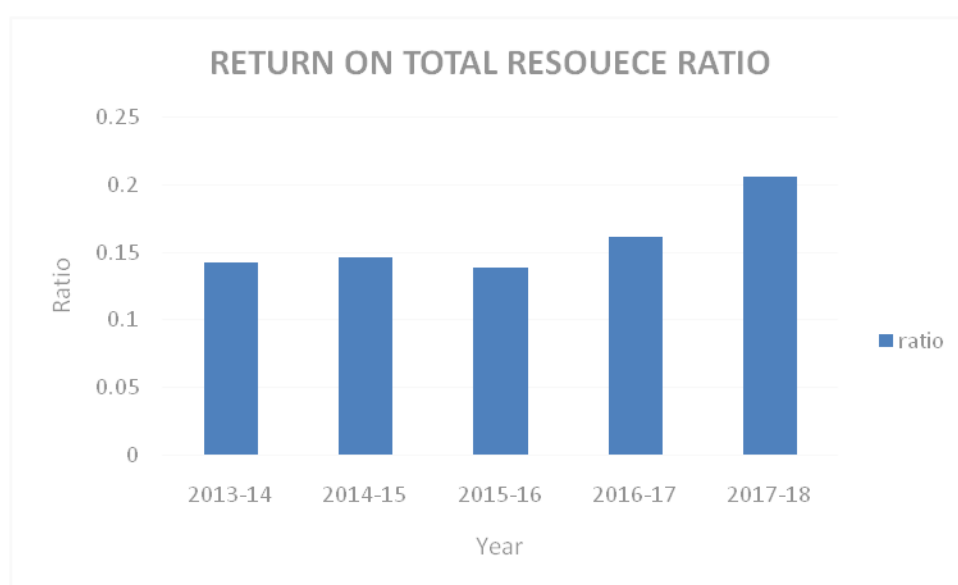
### Return on Total Resource:-

Net profit after tax

Return on total resource= Total assets

Year	Net Profit After tax	Total Assets	Ratio
2015-16	48437	341198	0.1420
2016-17	44623	385959	0.1464
2017-18	56502	407066	0.1388
2018-19	73874	457369	0.1615
2019-20	81931	398555	0.2056

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.



**Interpretation:** From the above table return on total resource ratio is increasing in the year 2017-18 and decreasing in the year 2017-18 and again increasing in the year 2016-2017.

**Operating Profit Ratio:** The operating profit margin ratio indicates how much profit a company makes after for variable costs of production such as wages, raw materials, act., It is expressed as a percentages of sales and show the shows the efficiency of a company controlling the costs and expenses associated with business operations.

$$\text{Operating profit} = [\text{operating profit}/\text{Net sales}] * 100$$

Year	Net Profit After Tax	Total Assets	Ratio
2015-2016	48437	341198	0.1420
2016-2017	44623	385959	0.1464
2017-2018	56502	407066	0.1388



2018-2019	73847	457369	0.1615
2019-2020	81931	398555	0.2056

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.

**Interpretation:-**From the above table on total resource ratio is increasing in the year 2017-2018 and decreasing in the year 2016-2017 and again increasing in the year 2017-2018.

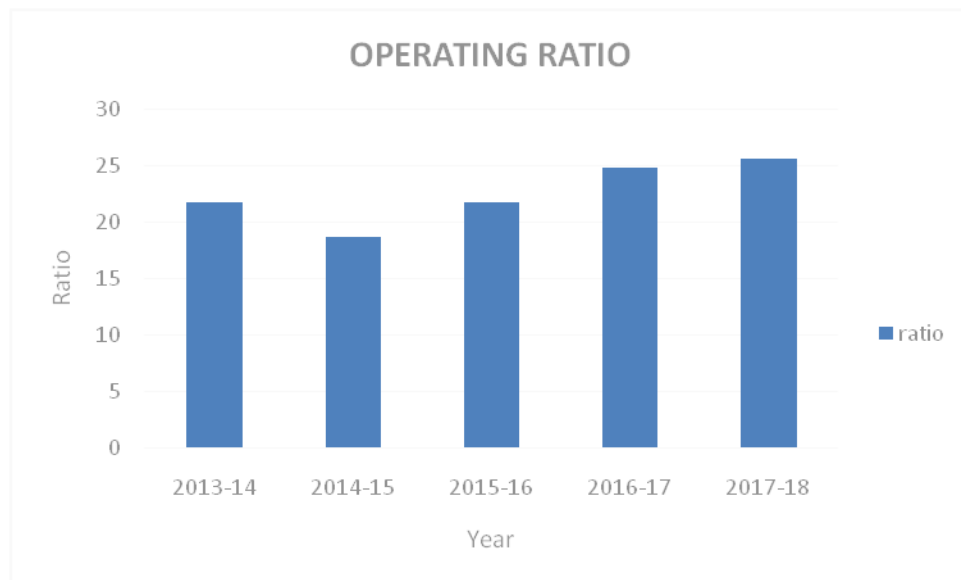
**Operating Profit Ratio:** The operating profit margin ratio indicates how much profit a company makes after for variable costs of production such as wages, raw aterials,act., It is expressed as a percentages of sales and

Show the shows the efficiency of a company controlling the costs and expenses associated with business operations.

$$\text{Operating profit} = [\text{operating profit/Net sales}] * 100$$

year	Operating profit	Net sales	Ratio
2015-2016	57055	263005	21.69
2016-2017	59186	316829	18.68
2017-2018	72051	332265	21.68
2018-2019	96082	387572	24.79
2019-2020	105570	412098	25.61

**Source:** Figure complied from Annual reports of NALCO Ltd., Bangalore.



**Interpretation:** Inferred from the above table that the operating profit ratio is decrease 2016-17 remaining years continuation increasing. The lowest ratio in the year 2016-17 that 18.68 and highest ratio is in the year 2017-18 that is 25.61.

#### 4.1. Findings

- Current ratio showed comparatively decreasing trend i.e., 2.29 in the year 2017-2018 to 1.76 in the year 2016-17 but to increase 2.18 in the year 2017-18 to 2.29 in the year 2016-17.
- Debt-equity ratio is fluctuating year by year but it is low during the year 2016-17. i.e., 0.01.
- The gross profit ratio has very low in the year 2016-2017[21.01] but improved to 27.50.
- Fixed assets turnover ratio has increased during the study period but it is minimum in final year 2017-2018.
- Net profit ratio is decreasing from 18.42 in 2013-2016 to 14.78 in 2016-2017 to 19.87 in the year 2017-2018.
- The inventory turnover ratio of company indicates is the efficiency of the firm in producing and selling its products. It maintains good inventory in the year of 2017[103.54] at high level compared to previous years.
- Debt ratio is 0.18 in the year 2018 decrease and increasing year by year. It indicates the long term debt policies in the company. It reduces the debt pressure in capital employed.

#### 4.2. Suggestions

- The company has to maintain the Streisand level of current ratio i.e., 2:1.
- Maintain more current assets than current liabilities.
- The company must take an about not to increase debt-equity ratio.
- Company need to focus in containing its gross profit.

- The company needs to maintain its fixed assets proper4.3.

## Conclusion

The liquidity position of **SeconalLtd** was good but the cash position was low. So the company should improve the cash position in future .the leverage ratio was not satisfied. The activity ratio was satisfied of **SeconalLtd**. The profitability ratio of the company is not good. Overall the financial performance of the company is good. And it has to take necessary steps to further growth of the company.

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## Annexure

### SecoanLtd Balance Sheet As On (2018-2019)

Particulars	Schedule	2016	2017	2018	2019	2020
<b>I. Source Of Funds</b>						
<b>1. Share holders fund</b>						
a) Share capital	1	3976.36	3976.36	3976.36	3976.36	3976.36
b)Reserves and Surplus	2	3993.06	5108.64	7179.70	8549.77	13713.91
2. Loan Fund				17832.33		
a) Secured Loans	3	9244.81	16382.92	12271.32	22645.54	26486.50
b)Unsecured Loans	4	15069.11	13733.65	2576.95	15460.46	6130.29
3. Deferred Tax Liability (net)		618.06	1184.79	2576.95	3123.73	3435.74
<b>Total</b>		32901.40	40386.36	43836.66	53755.86	53742.80
<b>U. Application Of Funds</b>						
<b>1. Fixed Assets</b>						
a)Gross-Block		25035.99	31824.32	35516.23	38974.86	40286.29
b) (-) Depreciation,		6510.29	7666.24	9127.88	10734.88	12527.20
c) Net Block		18525.70	24158.08	26388.35	28239.98	27759.09

d) Capital Work in Progress		5604.02	754.45	862.01	425.37	3441.21
<b>2. Investments</b>		NIL	NIL	NIL	NIL	NIL
<b>3. Current Assets, Loans and Advances</b>						
a) Inventories		9194.08	10636.86	12092.91	14436.48	11519.49
b) Sundry Debtors		6705.59	7667.92	8814.31	11966.16	11845.80
c) Cash & Bank balances		350.67	2650.37	420.10	3463.66	1516.42
d)Loans and Advances		2070.42	5241.68	5289.66	6107.54	5581.47
<b>Total</b>		18321.76	26196.83	26616.98	35973.84	30463.18
Less: Current liabilities and provisions						
A .Current liabilities		9202.11	10188.34	9319.38	1018.38	6853.94
b. Provisions		354.42	538.25	711.30	774.95	1066.74
<b>Total</b>		9556.53	10726.59	10030.68	10883.33	7920.68
Net Crosscurrent		8765.23	15470.24	16586.30	25090.51	22542.50
4.Deferred Tax Asset		NIL	NIL	NIL	NIL	NIL
5.Miscellaneous Expenditure		6.45	3.59	NIL	NIL	NIL
Profit &Loss Account		NIL	NIL	NIL	NIL	NIL
<b>Total</b>		<b>32901.40</b>	<b>40386.36</b>	<b>43836.66</b>	<b>53755.86</b>	<b>53742.80</b>

**SeconalLtd Profit & Loss Account As On (2019-2020)**

PARTICULARS	2015-16	2016-17	2017-18	2018-19	2019-20
<b>INCOME</b>					
Sales Less: Excise Duty	31,587.33 2,979.54	33,589.6 7 3,294.07	41,045.08 4,108.43	49,472.0 2 3,106.39	68,046.9 5 3,575.34
Sales (Net)	28,607.79	30,295.6 0	36,936.65	46,365.6 3	64,471.61
Other income	62.34	77.70	33.59	93.21	210.18
Increase/Decrease in stock	(897.63)	741.46	471.24	14.6	(246.82)
<b>TOTAL</b>	27,772.50	31,114.7 6	37,441.48	46,473.0 0	64,434.9 7
<b>EXPENDITURE</b>					
Raw materials Consumed	15,484.93	18,264.9 4	19,232.45	24,779.9 3	39,775.5 1
	4,403.58	6,79.97	8,629.04	8,874.80	10,091.7 1
Excise Duty paid	-	-	-	-	-
Cost of Materials Sold	-	276.09	644.45	659.16	607.33
Salaries, wages and other allowances	954.95	1,254.33	1,449.85	1,862.53	2,142.75
Other Expenses	1,612.61	1,879.06	2,331.70	2,479.56	2,745.53
Financial Charges	852.59	1,257.86	1,132.36	2,302.59	4,607.48
Depreciation	989.59	1,093.60	1,156.89	1,511.99	1,641.84
<b>TOTAL</b>	24,298.25	30,505.8 5	35,276.74	42,471.56	61,612.15
Profit/(Loss) before tax	3,474.25	608.91	2,164.74	4001.44	2821.82
Provision for tax Current	1,380.08	193.9	42.93	453.41	318.20

MAT Credit Entitlement			( 242.45)	(453.41)	108.14
Provision for Deferred Tax .			66.73	1392.16	54.6.78 I
Provision for Fringe Benefit Tax			7.21	17.54	14.41
<b>Profit / (Loss) after tax</b>	<b>2,094.17</b>	<b>415.02</b>	<b>1580.80</b>	<b>2591.74</b>	<b>1835.29</b>
Balance brought forward from the previous year	604.21	748.77	837.09	858.92	1242.48
Prior Period adjustment (Note 9 on Schedule 20)	-	-	-	(55.46)	-
Profit available for appropriation	2,698.38	1,163.79	2417.89	3395.2	3077.77
Appropriations					
Transfer to Debenture Redemption Reserve			93.75	187.50	468.75
Transfer to General reserve	1,500.00	100.00	1000.00	1,500.00	1000.00
Proposed dividend	397.64	198.82	397.64	397.64	397.64
Tax on Dividend .	51.97	,27.88	67.58	67.58	67.58
Balance carried to Balance Sheet	748.77	837.09	858.92	1242.48	1143.80
	2,552.80	2698.38	2417.89	3395.20	3077.77
Basic & Diluted Earning per share	5.27	1.04	3.98	6.52	1.62
N. of share used in computing Basic & Diluted EPS .	39,763,595	39,763,595	39,763,595	39,763,595	39,763.595

