International Journal of Academic Research
ISSN: 2348-7666; Vol.5, Issue-5, May, 2018
Impact Factor: 6.023; Email: drtvramana@yahoo.co.in

A Study on Financial Performance Analysis of Singareni Collieries Company Limited

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Abstract : *Financial Performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of financial risk and management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare 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. The financial analyst program provides vital methodologies of financial analysis. Financial analysts often assess the firm's production and productivity performance profitability performance, liquidity performance, working capital performance, fixed assets performance, fund flow performance and social performance.*

Key Words : *Financial Performance, SCCL, Profitability, Liquidity, Financial Strength.*

INTRODUCTION

Performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. In the words of Frich Kohlar "The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate firm's success, conditions, and compliance.

FINANCIAL PERFORMANCE

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

FINANCIAL PERFORMANCE ANALYSIS

Financial statements do not reveal all the information related to the financial operations of a firm, but they furnish some extremely useful information, which highlights two important factors profitability and financial soundness. Thus, analysis of financial statements is an important aid to financial performance analysis. 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.

The financial performance analysis identifies the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and profit and loss account. The first task is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second is to arrange the information in a way to highlight significant relationships. The final is interpretation and drawing of inferences and conclusions. In short, "financial performance analysis is the process of selection, relation, and evaluation."

PROFILE OF THE SCCL

Coal is the world's most abundant, safe, secure, clean and cost effective fossil fuel. Singareni Collieries Company Limited (SCCL) is situated in southern part of India and having its operations in four districts of northern Telangana i.e., Khammam, Karimnagar, Warangal & Adilabad. SCCL is supplying coal to most of the customers situated in Telangana and to some extent in southern parts of India and some parts in Maharashtra. SCCL is operating 29 underground mines and 19 opencast mines to meet the linkage requirements of major power (66%), Cement (13.5%), Captive Power (6.6%), Sponge Iron (3.1%) and other customers (10.8%). SCCL is mainly supplying coal to four major power utilities i.e., NTPC Ramagundam, T-GENCO power utilities of T.S., Karnataka Power Corporation of Karnataka and Parli power station of MAHAGENCO. Apart from the above major power utilities, SCCL is also supplying coal to 57 cement units, 32 captive power plants and 53 sponge iron units through Fuel Supply Agreements (FSA).

OBJECTIVES OF THE STUDY

This study is aimed at attempting the following:

- To analyze the overall financial performance of SCCL.
- To study the liquidity, Leverage, profitability and turnover ratios position of SCCL.
- To provide useful findings and conclusions to improve the financial performance of the company.

METHODS OF STUDY

Sources of the Data

The study is based on secondary data. Data pertaining behaviour of liquidity, solvency and profitability position were collection from the balance sheet and profit & loss account of SCCL. The necessary data were obtained from published annual reports of the company.

Nature of Data

The data required for the study has been collected from secondary sources and the relevant information were taken from annual reports, journals and internet etc.

Period of the Study

This study is based on the six years annual reports from 2010-11 to 2015-16 of the Singareni Collieries Company Limited, Kothagudem, a Government Company of Telangana State.

Techniques of Analysis

The study has been made by using prominently various ratios relating to profitability, liquidity, solvency and assets management. Further, study has been made by converting the data into relative measures such as ratios, percentages, rather than the absolute data.

Ratio Analysis

Ratio analysis is a widely used tool of financial analysis. The term ratio is refers to the relationship expressed in mathematical terms between two individual figures or group of figures connected with each other in some logical manner and are selected from financial statements of the concern. It helps to express the relationship between two accounting figures in such a way that users can draw conclusions about the performance, strengths and weakness of a firm.

ANALYSIS OF FINANCIAL PERFORMANCE OF SCCL

Financial analysts often assess firm's production and productivity performance, profitability performance, liquidity performance, working capital performance, fixed assets performance, fund flow performance and social performance. However in the present study financial performance of Singareni Collieries Company Limited, Kothagudem, Telangana, A Government Company is measured from the following perspectives:

I. Profitability Analysis

II. Analysis of Liquidity Position

III. Measurement of Financial Strength

IV. Analysis of Activity Ratios

I. PROFITABLILTIY ANALYSIS

Profitability is the result of financial as well as operational efficiency. It is the outcome of all business actives. Several ratios can be computed to measure the extent of profitability in quantitative terms. Profitability ratios are calculated to measure the operating efficiency of an enterprise. Profits can be related mainly to sales and investment to determine profitability. An enterprise should be able to produce adequate profit on each rupee of sales. If sufficient profits are not generated through sales, it becomes problematic fir an enterprise to cover its operating costs and the interest burden.

An appraisal of the financial position of any enterprise is incomplete unless its overall profitability is measured in relation to the sales, assets, capital employed, net worth and the earning per share. In the present study, the under mentioned ratios have been used to analyse the profitability of the SCCL.

1. GROSS PROFIT RATIO

The Gross Profit Ratio expresses the relationship of gross profit on sales to net sales. B.R.Raol opines that “Gross profit ratio indicates the gross margin of profits on the net sales and from this margin only all expenses are met and finally net income emerges.” There is no norm to judge and justify the gross profit ratio and, therefore, evaluation is a matter of judgment. The lower the operating ratio, the higher will be the margin of profits. The ratio has been obtained by dividing gross profit by the Net Sales. A higher ratio may reflect an increase in net sales without corresponding increase in operating costs.

2. NET PROFIT MARGIN

Net profit margin is a good indicator of the efficiency of a firm. As pointed out by Van Horne this ratio "tells us the relative efficiency of the firm after taking into account all expenses and income taxes, but not extraordinary charges." Net profit margin is determined by relating net income after taxes to net sales. It measures the profit per rupee of sales. This ratio is widely used as a measure of overall profitability and is very useful to proprietors.

3. RETURN ON TOTAL ASSETS

The return on assets ratio, often called the return on total assets, is a profitability ratio that measures the net income produced by total assets during a period by comparing net income to the average total assets. In other words, the return on assets ratio measures how efficiently a company can manage its assets to produce profits during a period. Since company assets sole purpose is to generate revenues and produce profits, this ratio helps both management and investors see how well the company can convert its investments in assets into profits. This ratio is computed by dividing net profit by total assets.

4. RETURN ON NET WORTH

The ratio of return on net worth is a valuable measure for judging the profitability of an organization. This ratio helps the shareholders of a company to know the return on investment in terms of profits. This ratio is expressed in the percentage form of net profit earned to the net worth. A low ratio of return on net worth may indicate that the business is not very successful because of inefficient and ineffective management and over-investment in assets. A high ratio may be the result of efficient management policies.

The Table-1 shows the profitability ratios of SCCL from 2010-11 to 2015-16.

Table-1: Profitability Ratios in SCCL during 2010-11 to 2015-16

(Per cent)

Year	Gross Profit Ratio	Net Profit Margin	Return on Total Assets	Return on Net Worth
2010-11	11.65	4.30	3.67	12.22
2011-12	11.07	3.88	2.83	11.44
2012-13	10.01	3.96	2.50	11.69
2013-14	9.29	4.28	2.12	11.84
2014-15	16.93	4.31	2.19	12.66
2015-16	20.35	8.48	3.99	22.29
Average	**13.22**	**4.87**	**2.88**	**13.69**

Source: Annual Reports & Accounts of SCCL.

International Journal of Academic Research
ISSN: 2348-7666; Vol.5, Issue-5, May, 2018
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The data of the table-1 reveals the following:

The gross profit ratio in SCCL was shown a fluctuating and increasing trend during the period of study. The ratio was 11.65 per cent in 2010-11 which was decreased to 9.29 per cent in 2013-14. However, it was significantly improved and increased to 16.93 per cent in 2014-15 and 20.35 per cent in 2015-16. As a result of increase in sales and decrease in cost of goods sold, the gross profit ratio has been improved in last two years as it is evident that the ratio was 16.93 per cent and 20.35 per cent in 2014-15 and 2015-16 respectively. The average ratio was 13.22 per cent.

The net profit margin in SCCL rose from 4.30 per cent in 2010-11 to 8.48 per cent in 2015-16 except in 2011-12 when it was marginally declined to 3.88 per cent. The year 2015-16 was marked by an all round improvement in the performance of the company culminating the highest ever net profit of Rs. 1066.13 crores and the ratio was 8.48 per cent. On an average, ratio was 4.87 per cent . Thus, it can be concluded that the net profit margin in the SCCL has been increasing trend during the period of study.

The return on total assets ratio in SCCL had a fluctuating trend during the period of study. It was 3.67 per cent in 2010-11 which was declined to 2.11 per cent in 2013-14. In the next two years 2014-15 and 2015-16 the ratio increased to 2.19 per cent and 3.99 percent respectively. On an average the ratio was 2.88 percent during the period of study.

The ratio of return on net worth in SCCL was fluctuating trend during the period of study. It was fluctuated between 12. 22 per cent in 2010-11 to 22.29 percent in 2015-16. The ratio was high at 22.29 percent in 2015-16 whereas low ratio registered in 2011-12 (11.44 per cent). This shows the efficiency of the management in this direction. On an average the ratio was 13. 69 per cent.

II. ANALYSIS OF LIQUIDITY POSITION

Liquidity has been defined differently by different authors. J.F. Solomon and G. Donald define it as “The ability of the firm to meet its current obligations as they fall due.” According to Herbert Mayo, “Liquidity is the ease with which assets may be converted into cash without loss.” A sound liquidity position is of primary concern to management from the point of view of meeting current liabilities as and when they mature as well as for answering continuity of operations. Thus, liquidity is the base of continuous business operations. To measure the liquidity position of the SCCL, the following three ratios have been considered useful.

1. CURRENT RATIO

The most widely used measure of liquid position of an enterprise is the current ratio i.e., the ratio of the firm’s current assets to current liabilities. Current ratio commands very high esteem in the sphere of the accounting information. Learner observes: “The current ratio is important because all liabilities are ultimately paid with funds generated by the liquidation of assets.” The current ratio is considered a powerful parameter of a company’s solvency and a reliable prognosticator of potential liquidity. Current assets would include cash, inventory, sundry debtors, loans and advances and current liabilities would include sundry creditors, deposits, interest accrued but not due. The higher the ratio the larger the amount of the rupees available per rupee of current liability, and accordingly a 2 to 1 ratio is taken to represent a good short term solvency position.

2. QUICK RATIO

If the inventory of stock is very high which cannot be easily converted into cash or if the inventory is overvalued, a high current ratio will not guarantee repayment of current liabilities. To avoid these difficulties a more efficient measure of liquidity is available to known as the quick ratio. According to Learner "this ratio ignores inventories, since they are the least liquidity of a firm's current assets." This ratio provides a more stringent test of solvency. Quick assets would include cash in hand, cash at bank, sundry debtors and marketable investments. The formula for derivation of this ratio is quick assets by current liabilities. Normally this ratio should be 1:1 as a healthy sign of short-term financial strength to pay off current liabilities at short notice.

3. ABSOLUTE QUICK RATIO

Efficient management of the inflow and outflow of cash plays a crucial role in the overall performance of a business. Cash is the most liquid form of assets which safeguards the security interest of business. Therefore, only a required amount of cash is necessary to meet day to operations. A higher proportion of cash may lead to shrinkage of profits due to idleness of resources for an organization. The absolute quick ratio signifies the proportion of cash to the total current liabilities and can be calculated by dividing the cash (including bank balances) by the current liabilities.

The Table-2 presents the liquidity ratios of SCCL from 2010-11 to 2015-16.

Table-2: Liquidity Ratios in SCCL during 2010-11 to 2015-16

Year	Current Ratio (in Times)	Quick Ratio (in Times)	Absolute Quick Ratio (in per cent)
2010-11	1.43	1.25	103.65
2011-12	1.93	1.74	124.92
2012-13	1.78	1.57	98.19
2013-14	1.69	1.38	97.25
2014-15	1.60	1.32	62.96
2015-16	1.25	1.05	26.57
Average	**1.61**	**1.39**	**85.59**

Source: Annual Reports & Accounts of SCCL.

Quick Assets represent Current Assets (-) Inventory.

The data of the table-2 reveals the following:

The current ratio in the SCCL was satisfactory during the period of study. However, throughout the period, current ratio has not much deviated from the accepted norm i.e., 2:1 except in 2010-11 and 2015-16 when it was 1.43 times and 1.25 times respectively. In the year 2010-11 the current assets decreased in a greater proportion as compared to current liabilities. A sharp decline in the ratio was recorded in 2015-16 i.e., 1.25 times in comparison to 1.60 times in 2014-15. This was due to the sharp increase in the current liabilities. On an average the ratio was 1.61 times.

The quick ratio was also satisfactory during the period of study. However, from 2011-12 to 2012-13, the ratio was quite high being 1.74 times and 1.57 times respectively. The reason of this rise could be traced to a sharp increase in quick assets. In 2015-16 the ratio was quite near the standard norm of 1:1 ratio i.e., 1.05 times which shows that the company has been trying to manage its quick assets more efficiently during the period of study. On an average the quick ratio was 1.39 times.

The data of the absolute quick ratio indicates that the SCCL has been maintaining excessive of cash balances than required except in 2015-16 and it has been between 62.96 per cent in 2014-15 and 124.92 per cent in 2011-12 with an average of 85.59 per cent during the period of study. This explains that for every one rupee of current liabilities the company has been holding up a lowest of 0.63 rupee highest of Rs. 1.25 rupees and an average of 0.86 rupee. However, the ratio shows a favourable trend during the last year of study 2015-16 when it was 26.57 per cent.

III. MEASUREMENT OF FINANCIAL STRENGTH

Financial strength indicates the soundness of the financial resources of an organization to perform its operations in the long run. The parties associated with the organization are interested in knowing the financial strength of the organization financial strength is directly associated with the operational ability of the organization and its efficient management of resources.

The financial strength analysis has been conducted with the help of ratio analysis. The following ratios have been calculated to find out the long-term financial strength of the SCCL:

1. DEBT-EQUITY RATIO

This ratio shows the extent to which debt financing has been used in a business. A high ratio indicates that the claims of creditors are higher as compared to owner’s funds. A lower debt-equity ratio may result in a higher claim of equity varies from industry to industry. It depends on the nature of the business and on the volatility of the cash flow. Generally, the ratio of 1:1 is considered satisfactory. This means that the loans and borrowings should not exceed the shareholders funds or net worth. This ratio can be calculated by dividing the long-term debt by shareholder’s equity.

2. TOTAL DEBT TO TOTAL ASSETS RATIO

This ratio measures the share of total outside liabilities in total assets. A lower trend in this ratio denotes less dependence on external funds where as a higher ratio reflects more dependence on external funds. The later is not a healthy sign because the amount of outside liabilities increases the debt burden which again results in a weak liquidity position and financial crisis of the firm. This ratio should be studies along with debt equity ratio for clear understanding of the situation.

3. NET WORTH TO TOTAL ASSETS RATIO

Net worth to total assets ratio shows the percentage of total assets financed by shareholders. This ratio is also known as proprietary ratio. A high ratio shows that a concern is less dependent on outside funds fir capital. A low ratio indicates a small amount of owner's funds to finance total assets and more dependence on outside funds for working capital.

Table-3 gives the financial strength ratios of the SCCL during the period covered by the study.

Table-3: Financial Strength Ratio in SCCL during 2010-11 to 2015-16

(In Percent)

Year	Debt-Equity Ratio	Total Debt to Total Assets Ratio	Net Worth to Total Assets Ratio
2010-11	19	70.01	29.99
2011-12	36	75.29	24.71
2012-13	59	78.58	21.42
2013-14	133	82.10	17.90
2014-15	205	82.73	17.27
2015-16	228	82.11	17.90
Average	**113**	**78.47**	**21.53**

Source: Annual Reports & Accounts of SCCL

The data of the table-3 reveals the following:

In the SCCL the proportion of debt to equity was very high during the last three years period of study. It has shown an increasing trend and abnormally increased from 19 per cent in 2010-11 to 228 per cent in 2015-16. Thus, the ratio indicates that the company adopted a debt financing policy during the study period except in the first three years from 2010-11 to 2012-13. The total debt to equity ratio as a whole during the six years period of study was 113 per cent.

The ratio of total debt to total assets in SCCL had increased continuously throughout the period of study except in 2015-16. It was increased from 70.01 per cent in 2010-11 to 82.73 per cent in 2014-15. In the year 2015-16 the ratio was slightly decreased and reached to 82.11 per cent as against its previous year. The average ratio was 78.47 per cent. This indicates that the company is depending to the major extent on the debt financing and adopting high capital gearing technique. This type of financing policy will influence for greater rate of return on equity.

The ratio of net worth to total assets has shown a decreasing trend during the period of study. It has decreased from 29.99 per cent in 2010-11 to 17.27 per cent in 2014-15. However, in 2015-16, it was increased to 17.90 per cent. This shows that the total assets are more than triple in comparison to net worth. These assets were financed by outside sources and thus created an additional charge over the assets of the company. Although, the net worth shows an upward movement, it could not match the proportionate change in total assets. The average ratio was 21.53 per cent. Thus, the company was greater depends upon outside borrowed funds for financing of assets.

IV. ANALYSIS OF ACTIVITY RATIOS

Activity ratios are also called as turnover ratios. These will indicate position of the assets usage. In order to compute these ratios net sales are divided by the various types of assets such as current assets, inventory, debtors and net fixed assets and are expressed in number of times. The greater the ratio more will be the efficiency of the assets usage. The lower ratio will reflect the under utilization of the resources available of the company. Always the company must plan for efficient use of the assets to increase the overall efficiency. In this analysis we will be covering the following activity ratios in respect of SCCL:

1. CURRENT ASSETS TURNOVER RATIO

This current assets turnover ratio ascertains the efficiency with which currents are used in a business. This ratio is strongly associated with efficient utilization of costs, receivables and inventory. In the case of SCCL this ratio will be obtained by dividing net sales by the current assets. A higher value of this ratio indicates greater circulation of current assets while a low ratio indicates a stagnation of the flow of current assets.

2. INVENTORY TURNOVER RATIO

The term turnover of inventories has reference to the number of times that the inventories were sold and replaced during the accounting period. Inventory turnover ratio is calculated by dividing the net sales by the inventory. A high ratio of turnover inventory indicates fast movement in inventories. The larger is the amount of net sales and smaller the amount of capital tied-up in inventory, the better is the operating cycle. A low inventory turnover implies excessive inventory levels than are warranted by production and sales activities, or slow moving of obsolete inventory.

3. DEBTORS TURNOVER RATIO

A firm’s liquidity position and working capital would be considered as efficiently managed when the debtor turnover is high and the number of days of the outstanding creditors is fewer. To manage a firm efficiently a trade off is to be maintained between the express profits received from the debtors outstand and the amount o of interest incurred on the blocked funds. This ratio in the case of SCCL is obtained by diving Net Sales by debtors. Generally the higher the value of the debtors turnover, the more efficient is the management of sales and in turn the more efficient the management of liquidity position.

4. AVERAGE COLLECTION PERIOD

Another way of expressing this relationship is to find out the “Average Collection Period.” According to I.M. Pandey, “The average collection period represents the average number of days for which the firm most wait after making a sale before collecting cash from the customers." In the form of formula this ratio can be represented as Days in a Year/Debtors Turnover Ratio.

5. NET FIXED ASSETS TURNOVER RATIO

This ratio shows the speed at which net fixed assets are used to generate sales. The optimum use of such assets always increases the efficiency of the company. If higher is the turnover more is the efficiency with which net fixed assets are operated. It can be calculated dividing sales by the net fixed assets and it is expressed in number of times.

The Table-4 indicates the Activity Ratios of the SCCL during 2010-11 to 2015-16.

Table-4: Activity Ratios in SCCL during 2010-11 to 2015-16

(In times)

Year	Current Assets Turnover Ratio	Inventory Turnover Ratio	Debtors Turnover Ratio	Average Collection Period (in days)	Net Fixed Assets Turnover Ratio
2010-11	2.15	17.24	25.48	14	1.41
2011-12	1.61	16.04	11.51	32	1.33
2012-13	1.72	15.08	8.27	44	1.00
2013-14	1.54	8.48	10.78	34	0.73
2014-15	1.75	10.00	5.29	69	0.71
2015-16	1.55	9.51	3.00	122	0.68
Average	**1.72**	**12.73**	**10.72**	**53**	**0.98**

Source: Annual Reports & Accounts of SCCL.

The data of the table-4 reveals the following.

The current assets turnover ratio in SCCL showed a decreasing tendency during the period covered by this study. In the first year of analysis (2010-11) the turnover was 2.15 times which declined to 1.61 times in 2011-12. The reason of this sharp decline in 2011-12 over the previous year was that there was a decline in current assets. In 2012-13 the ratio raised to 1.72 times. After showing a marginal decrease to 1.54 times in 2013-14, it again jumped to 1.75 times in 2014-15. In 2015-16 again there was a sharp decrease in the ratio when it dropped to 1.55 times. The reason of this trend was mainly due to the sharp rise in the current assets. To conclude it may be observed that the company was not able to maintain a uniform policy of current assets during the period of study. The average of current assets turnover ratio was 1.72 times during the period of study.

The inventory turnover was 17.24 times in 2010-11 indicating improvement in the efficiency with which the inventory was managed. Subsequently, in 2011-12, 2012-13 and 2013-14 the ratio went down to 16.04 times, 15.08 times and 8.48 times respectively. It marginally improved to 10.00 times in 2014-15 but again dropped to 9.51 times in 2015-16. The fluctuations were noticed due to the fact that while the sales had been continuously increasing except in 2013-14, the inventory position was showing upward trend during the period of study except in 2014-15. Moreover, the level of inventory increased more sharply than the increase in sales during the last three years period of study from 2013-14 to 2015-16. The company can maintain a high turnover of inventory during the first three years and, thus, make efficient utilization of available funds which will result in the improvement of profitability. On an average turnover of inventories was 12.73 times.

The debtors turnover ratio has shown decreasing trend from 25.48 times in 2010-11 to 3.00 times in 2015-16. Similarly, the average collection period or receivables has also shown an unfavorable (increasing) trend. The average collection period was 14 days in 2010-11 which was increased to 32 days and 44 days in 2011-12 and 2012-13 respectively. This indicates that the inefficiency of the management in collecting its debts in comparatively shorter period. Then later during the year 2013-14 the ratio increase and the collection period decreased to 34 days. In 2014-15 and 2015-16 the debtors turnover ratio was suddenly come down to 5.29 times and 3.00 times respectively while there was a sharp increase in the net sales. In the last two years period of study i.e., 2014-15 and 2015-16 the unfavorable increase is find in the average collection period and reached as high as 69 days and 122 days respectively. On an average the debtors turnover ratio was 10.72 times and the average collection period is 53 days.

The net fixed assets turnover of SCCL showing a decreasing trend during the period of study. It was 1.41 times in 2010-11 which was continuously decreased and fallen down to 0.68 times in 2015-16. From the year 2013-14 to 2015-16 the ratio was below 1 which indicates that the net fixed assets are higher than the net sales and shows that the inefficiency of the management in use of fixed assets more efficiently. On an average the ratio was 0.98 times.

SUMMARY OF FINDINGS AND CONCLUSIONS

Based on the Financial Performance Analysis of Singareni Collieries Company Limited the following summary of Findings and Conclusions is drawn:

- 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. The financial performance analysis identifies the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and profit and loss account.
- Singareni Collieries Company Limited (SCCL) is situated in southern part of India and having its operations in four districts of

northern Telangana i.e., Khammam, Karimnagar, Warangal & Adilabad. SCCL is supplying coal to most of the customers situated in Telangana and to some extent in southern parts of India and some parts in Maharashtra.

- Ratio analysis is a widely used tool of financial analysis. It helps to express the relationship between two accounting figures in such a way that users can draw conclusions about the performance, strengths and weakness of a firm.
- Profitability is a concept based on profits but since it is a relative concept, profits are to be expressed in relation to some other variables. Several ratios can be computed to measure the extent of profitability in quantitative terms. Profitability ratios are calculated to measure the operating efficiency of an enterprise.
- The gross profit ratio in SCCL has been showing fluctuating and increasing trend during the period of study. The average ratio was 13.22 per cent. The net profit margin also increasing trend. On an average, the ratio of the company was 4.87 per cent.
- The return on total assets ratio in SCCL had a fluctuating trend during the period of study. On an average the ratio was 2.88 percent. The ratio of return on net worth was also fluctuating trend. On an average the ratio was 13. 69 per cent.
- A sound liquidity position is of primary concern to management from the point of view of meeting current liabilities as and when they mature as well as for answering continuity of operations. Thus, liquidity is the base of continuous business operations.
- The current ratio of the SCCL was satisfactory during the period of study. However, throughout the period, current ratio has not much deviated from the accepted norm i.e., 2:1 except in 2010-11 and 2015-16 when it was 1.43 times and 1.25 times respectively.
- The quick ratio was also satisfactory during the period of study. The company has been trying to manage its quick assets more efficiently during the period of study. On an average the quick ratio was 1.39 times.
- The absolute quick ratio indicates that the company has been maintaining excessive of cash balances than required except in 2015-16. However, the ratio shows a favourable trend during the last year of study 2015-16 when it was 26.57 per cent.
- Financial strength indicates the soundness of the financial resources of an organization to perform its operations in the long run. Financial strength is directly associated with the operational ability of the organization and its efficient management of resources. The financial strength analysis has been conducted with the help of ratio analysis.
- In the SCCL the proportion of debt to equity was very high during the last three years indicates that the company adopted a debt financing policy except in the first three years from 2010-11 to 2012-13. The total debt to equity ratio as a whole during

the six years period of study was 113 per cent.

- The ratio of total debt to total assets had increased continuously throughout the period of study except in 2015-16. The average ratio was 78.47 per cent. This indicates that the company is depending to the major extent on the debt financing and adopting high capital gearing technique. This type of financing policy will influence for greater rate of return on equity.
- The ratio of net worth to total assets has shown a decreasing trend and shows that the assets were financed by outside sources and thus created an additional charge over the assets of the company. The average ratio was 21.53 per cent.
- Activity ratios are also called as turnover ratios. They will indicate position of the assets usage. The ratios are expressed in number of times. The greater the ratio more will be the efficiency of the assets usage. The lower ratio will reflect the under utilization of the resources available at the command of the company.
- The current assets turnover ratio in SCCL showed a decreasing tendency during the study period. This shows that the company was not able to maintain a uniform policy of current assets during the period of study. The average of current assets turnover ratio was 1.72 times.
- The inventory turnover ratio indicating improvement in the efficiency with which the inventory was managed. Moreover, the company can maintain a high turnover of inventory during the first three years and, thus, make efficient utilization of available funds which will result in the improvement of profitability. On an average turnover of inventories was 12.73 times.
- The debtors turnover ratio has shown decreasing trend. Similarly, the average collection period has also shown increasing trend which indicates that the inefficiency of the management in collecting its debts in comparatively shorter period. On an average the debtors turnover ratio was 10.72 times and the average collection period is 53 days.
- The net fixed assets turnover of the company showing a decreasing trend during the period of study. It was 1.41 times in 2010-11 which was fallen down to 0.68 times in 2015-16. On an average the ratio was 0.98 times.

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