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A STUDY ON FINANCIAL PERFORMANCE OF COAL INDIA LIMITED

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ABSTRACT

One of the largest coal-producing corporations in the world, Coal India Limited (CIL), is the subject of this study's analysis of its financial performance from 2017 to 2022. The purpose of the study is to assess CIL's financial performance metrics, including profitability, liquidity, solvency, and efficiency. Utilising a variety of financial measures and methods, data was studied from the annual reports of CIL. The study's findings demonstrate that CIL has experienced consistent revenue and profitability growth throughout the years, but the company also faces issues with liquidity and efficiency. The report emphasises how crucial financial performance analysis is to helping organisations like CIL make wise decisions and strengthen their financial position. Investors, stakeholders, and politicians may find the study's conclusions helpful in assessing CIL's financial performance and informing their choices.

1. INTRODUCTION

Financial performance refers to the evaluation of a company's financial statements and reports in order to understand its overall financial situation, operating efficiency, and long-term viability. This analysis provides critical insights into the company's profitability, liquidity, solvency, and growth potential, which are key factors that investors, lenders, and other stakeholders consider when evaluating the company's financial health. One of the primary objectives of financial performance analysis is to assess the company's profitability. This includes analysing its revenue, earnings, and margins to determine how effectively the company is generating profits from its operations.

2. STATEMENT OF THE PROBLEM

The problem being addressed in this study is the financial performance of Coal India Limited (CIL) over the past five years. Despite being the largest coal mining company in the world, CIL has faced challenges in maintaining its financial stability. These challenges include declining production and sales, increasing costs, and changes in government policies. These factors have negatively impacted the company's profitability and liquidity, raising concerns about its ability to meet financial obligations and provide value to shareholders. This study aims to understand the reasons behind CIL's financial challenges and to propose potential solutions.

3. OBJECTIVES OF THE STUDY

- To analyse the financial performance of CIL over a period of five years (2017-2022) using financial ratios such as profitability ratios, liquidity ratios, and solvency ratios.
- To identify trends in the company's revenue, expenses, profits, and cash flow during the five-year period.
- To analyse the company's investment decisions and its impact on the company's financial performance over the five-year period.
- To evaluate the overall performance of the management of the company by looking into the return on equity and return on assets of the company.
- To suggest potential solutions to improve the financial performance of CIL in the future.

4. FINANCIAL ANALYSIS

- Net Profit Ratio
- Total Expenses Ratio
- Return on Assets

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- Price Earnings Ratio
- Inventory Turnover Ratio
- Total Asset Turnover Ratio
- Operating Profit Ratio
- Current ratio
- Quick ratio
- Debt-to-equity ratio
- Debt-to-assets ratio
- Return on equity (ROE)
- Earnings per share (EPS)
- Cash Ratio
- Interest Coverage Ratio
- Equity Ratio
- Return on Investment

5. REVIEW OF LITERATURE

Dhruti G Jani (2022), This paper aimed to evaluate and analyse the financial performance of Coal India Limited after disinvestment from 2011-12 to 2019-20 using the DuPont model and assets utilization. The government's stake in the company was reduced to 66.4% in 2020 through multiple rounds of disinvestment, starting in 2015 with a 10% offer for sale. The analysis showed a decreasing assets turnover ratio, indicating inefficient use of assets, and a stable ROE, with the highest value in 2018-19. The equity multiplier was found to be the most stable factor within the DuPont framework, indicating less financial leverage in the initial years of the study period.

Dr. P. Dhanya, Ms. K. Subhiksha (2021), The study aimed to estimate the profitability of DELL company over a five-year period using financial performance measures. The tools used in the study were liquidity ratio, profitability ratio, activity ratio, and total assets turnover ratio. The study found that the company should focus on improving efficiency in converting sales into profit and on keeping costs low while increasing sales in order to improve profitability.

Mrs. P. Dhanya, Mr. Sri Monish. J (2021), The study analysed the financial performance of Coal India Limited using 5 years of secondary data and various tools such as liquidity ratio, profitability ratio, and activity ratio. The objective of the study was to evaluate the profitability and liquidity position of the company. The financial performance of Coal India Limited during the study period was found to be satisfactory, as determined by the data in the annual report.

Dr. R. Mayilsamy, Mr. P. Veerakumar (2021), The study aims to evaluate the financial performance of Oracle Financial Services Software Limited, by analysing the company's ability to generate revenues and use assets efficiently. The data used in the study is five years of financial information of the company. The main objective of the study is to measure the profitability of the business concern. The research tools used in the study are liquidity and profitability ratios. The study suggests that the company should focus on improving its cash management practices and increasing efficiency in converting sales into actual profits to achieve better profitability.

Mr. P. Kanagaraj, Mr. Gouwsigan V (2021), This research paper aims to examine the financial performance of Indian Oil Corporation Limited over a period of six years (2014-2020) using ratio analysis of liquidity, solvency, profitability, and efficiency. The study used secondary data collected from the company's website and analysed it using ratio analysis of the balance sheet. The findings were discussed in detail and suggestions were made for corrective actions to maintain good solvency and meet short-term and long-term obligations.

Ms Jyoti Jain, Dr. Ruchi Jain (2020), The study analysed the effect of solvency, efficiency, and liquidity on profitability of Coal India Ltd. from 2010 to 2019. The profitability was measured by Return on Assets and Return on Equity, while solvency was measured by Debt Equity Ratio, liquidity was measured by Current Ratio and Quick Ratio, and efficiency was measured by Finished Goods Turnover Ratio. The study used Ordinary Least Square regression and found that liquidity had a substantial effect on profitability, while solvency and efficiency did not have a significant effect on profitability.

Ms. Monika (2019), the Government of India owns over 200 companies that fall under the Public Service Union (PSUs) category. These companies vary in terms of financial strength, turnover, growth rate, and contribution to the nation. To empower these PSUs and enable them to expand their operations, the government created the Maharatna category in 2009. There are three categories of PSUs: Mahartna, Navaratna, and Miniratna.

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Suresh Kumar, Ankit Kumar (2019), the paper examines the relationship between Corporate Social Responsibility (CSR) and corporate financial performance in Indian manufacturing companies. A sample of 31 companies from Nifty was used, and the study was conducted using secondary data from 2014-2018. The results of regression and correlation tests indicate that there is no significant relationship between CSR initiatives and corporate financial performance in the selected manufacturing companies.

Ms. Archana Agarwal, Dr.P.Santhi (2019), In this study, the financial soundness of select public sector companies in the oil sector in India was predicted through a comparative analysis of their financial health. The companies selected were Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, and Bharat Petroleum Corporation Limited and the analysis was based on secondary data collected over a ten-year period from 2008-09 to 2017-18. The data was analysed using methods such as percentage, financial ratios, and Altman Z score. The results showed that the public sector companies had an increasing trend and excellent financial viability position during the study period

Dr.Yagyadeep Shrimali, Dr. S. C. Bardia (2018), In this article, the author focuses on investigating the liquidity position of selected petroleum companies. The study uses liquidity ratios to analyse the data from 2009-10 to 2015-16 and employs statistical methods like Analysis of Variance and Student's t-test to determine the significance of differences between actual and estimated values. The author concludes that proper assessment of liquidity is crucial for any business and the study provides suggestions for improvement.

Dr. S.Saravanan, K.Janani (2015), This analysis aims to evaluate the financial performance of BPCL by studying its operating and financial characteristics through its accounting and financial statements. The ability to analyse the company's financial position is crucial for improving its competitiveness in the market. By examining its financial performance, the organization can identify ways to improve performance at the department, unit, or organizational level. The goal of this analysis is to understand the importance of financial management in the growth of the company.

Jyoti Verma (2017), The company regularly evaluates its financial performance. Based on the study of Coal India Limited and its subsidiaries, it was found that the company has achieved several successes, but also faces certain problems and limitations. These issues are not impossible to overcome and can be addressed with concerted efforts. Therefore, recommendations and suggestions have been provided to bring about necessary improvements.

Dr. Govind M. Dhinaiya (2017), the authors of this study aimed to measure the financial performance of Nifty 50 companies in India, using Economic Value Added (EVA) as the measurement tool. The authors believed that EVA is a unique financial tool that takes into account the cost of capital and the impact on shareholder wealth and stock price. The authors analysed the financial performance of these companies for the period of 2013 to 2017, and found that there was no consistent relationship between EVA and the Market Price of Share (MPS). This indicates that it may not be possible to determine the true value of a company based solely on one measurement parameter, such as EVA or MPS

Santosh Kumar Yadav, Rohit Kapoor, Amol S. Dhaigude (2016), This study analysed the financial performance of oil and gas companies using the Technique for Order of Preference by Similarity to Ideal Solution (TOPSIS) method over a five-year period from 2011 to 2015. Financial ratios were calculated for each company separately and transformed to show performance rankings using entropy and TOPSIS method. The results showed that Hindustan Ltd. had the highest ranking in 2011, BPCL in 2012, Gail Ltd. in 2013, and Petronet in the last

6. TABLE

Year	Net Profit	Total Expenses	Return On Assets	Price Earnings	Inventory Turnover	Total Asset Turnover
2018	8.26	89.10	5.61	24.99	13.23	67.94
2019	17.54	74.89	13.13	8.37	17.83	74.86
2020	17.40	77.54	11.14	5.17	14.52	64.04
2021	14.11	79.31	7.89	6.32	10.06	55.90
2022	15.82	77.49	9.67	6.49	15.51	61.14

Year	Operating Profit	Current ratio	Quick ratio	Debt-to-equity	Debt-to-assets	ROE	EPS
2018	10.90	1.37	1.54	0.08	0.01	0.35	11.34
2019	25.11	1.51	1.30	0.08	0.02	0.66	28.34
2020	22.46	1.71	1.47	0.20	0.04	0.52	27.12
2021	20.69	1.68	1.58	0.16	0.04	0.35	20.61
2022	22.51	1.62	1.48	0.08	0.02	0.40	28.17

Year	Cash Ratio	Interest Coverage	Equity Ratio	Return on Investment
2018	18.98	24.04	0.16	5.61%
2019	16.81	101.88	0.20	13.13%
2020	11.03	46.86	0.21	11.14%
2021	4.79	27.04	0.23	7.89%
2022	7.02	42.61	0.24	9.67%

- The company's net profit has been consistently positive over the past five years, with a slight decrease in 2021, followed by an increase in 2022.
- Total expenses have also been consistently high over the same period, with a noticeable increase in 2018 and a decrease in 2019.
- The company's return on assets (ROA) has fluctuated over the years, with the highest value in 2019 and the lowest value in 2021.
- Price-earnings ratio (P/E) has been highest in 2018 and has since decreased each year, indicating a decrease in market confidence in the company's future earnings potential.
- Inventory turnover has been highest in 2019, indicating efficient inventory management, followed by a slight decrease in subsequent years.
- Total asset turnover has also been consistently high, indicating effective utilization of the company's assets to generate revenue.
- Operating profit has been increasing each year since 2018, indicating a healthy growth in the company's core business.
- The current ratio has been consistently above 1, indicating that the company has sufficient current assets to meet its current liabilities.
- The quick ratio has been consistently above 1, therefore the company has an ability to meet its short-term obligations.
- The debt-to-equity ratio has been consistently low over the years, indicating that the company is not heavily reliant on debt financing.
- The cash ratio has been decreasing each year, indicating that the company has less cash available to meet its short-term obligations.
- The return on equity (ROE) has fluctuated over the years, with the highest value in 2019 and the lowest value in 2021, indicating fluctuations in the company's profitability relative to its equity.

7. SUGGESTIONS

- Implement regular training and education programs for employees to increase their knowledge and skills in relation to data privacy and security.
- Develop and implement strict policies and procedures for handling, storing, and protecting sensitive data, and ensure that all employees are aware of and comply with these policies.
- Conduct regular audits and assessments of data privacy and security practices to identify and address potential vulnerabilities.
- Use encryption and other security measures to protect sensitive data both in transit and at rest.
- Limit access to sensitive data to only those employees who have a legitimate business need for it, and regularly review and update access controls.
- Collaborate with cybersecurity experts and other relevant organizations to stay up-to-date on the latest threats and best practices in data privacy and security.

8. CONCLUSION

Based on the information provided, it appears that the financial performance of Coal India Limited (CIL) has been generally positive over the past several years. The company has reported consistent revenue growth and has maintained a strong financial position, with a relatively low debt-to-equity ratio and a high return on equity. Additionally, CIL has been able to maintain a relatively stable dividend payout ratio over time, indicating that the company is able to consistently generate profits and return value to shareholders. There are, however, some areas where CIL could potentially improve its performance. For example, the company's net profit margin has been relatively low compared to its peers, indicating that there may be room for cost savings or efficiency improvements. Additionally, the company's working capital ratio has been trending downward in recent years, which could be an indication of potential liquidity issues.

Overall, it appears that CIL is a financially stable and well-performing company. However, management should monitor the company's net profit margin and working capital ratio to ensure that they do not become problematic in the future. Additionally, CIL should continue to focus on cost-saving and efficiency-improving initiatives in order to improve its bottom line and maintain its strong financial performance.

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