

Ratio Analysis of Maharatna and their counter Private Firms

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Abstract

Government of India owes more than 200 companies in various fields. These Companies are either owned by state Government or Central Government and are called PSUs. Since all the companies that are lying under Public service union and PSUs are different with each other in terms of Financial Strength, Turnover, Growth Rate, and Contribution to Nation and LOB.

So Government created Maharatna Category in 2009 to empower these PSUs with greater financial sovereignty which enables them to expand their operations even on a global work of art. Different Categories are as under:-

1. Mahartna Company
2. Navaratna Company
3. Miniratna Company

This paper shows Ratio Analysis of Five Maharatna Companies with Top Private Companies in their respective fields from financial year ending 2012-13 till Financial year 2017-18.

Key Words

Proitabilty, Maharatna, Liquidy, Operating, EPS

Introduction :

Financial analysis is the process of evaluating businesses, projects, budgets and other finance- related entities to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid or profitable enough to warrant a monetary investment. When looking at a specific company, a financial analyst conducts analysis by focusing on the income statement, balance sheet and cash flow statement.

It is performed by professionals who prepare reports using ratios that make use of information taken from financial statement and other reports. These reports are usually presented to top management as one of their bases in making business decisions. Financial analysis may determine if a business will:

- Continue or discontinue its main operation or part of its business;
- Make or purchase certain materials in the manufacture of its product;
- Acquire or rent/lease certain machineries and equipment in the production of its goods;
- Issue stocks or negotiate for a bank loan to increase its working capital
- Make decisions regarding investing or lending capital;
- Make other decisions that allow management to make an informed selection on various alternatives in the conduct

of its business.

- Financial analysts often assess the following elements of a firm:

1. **Profitability** - its ability to earn income and sustain growth in both the short- and long- term. A company's degree of profitability is usually based on the income statement, which reports on the company's results of operations.

2. **Solvency** - its ability to pay its obligation to creditors and other third parties in the long- term.

3. **Liquidity** - its ability to maintain positive cash flow, while satisfying immediate obligations.

4. **Activity** - are financial analysis tools used to gauge the ability of a business to convert various asset, liability and capital accounts into cash or sales. The faster a business is able to convert its assets into cash or sales, the more efficient it runs.

Objective:

This study intends to achieve following objectives:-

1. To examine overall performance of the companies.
2. To study the profitability, liquidity, solvency position of the Companies.
3. To compare the financial performance of Maharatna's Companies with Private Sector Companies.
4. To study whether Maharatna's or Private Sector Companies are performing better than the other in their respective fields of business.

Research Methodology

This research is totally based on secondary data from the financial statements of the companies whose financial analysis is being done. Ratio analysis tool is being used.

Secondary data source have been chosen because financial statements which are being used are – correct, reliable, easy to get and easy to use.

Financial statements are collected from websites of each company. After the data has been collected, it was tabulated and findings of the project were presented followed by analysis and interpretation to reach certain conclusions.

This report is based on comparing following Maharatna companies with their Private Sector counterpart in same business field:

S.NO	NAME OF MAHARATNA(PSU)	SECTOR	PRIVATE COMPANY(Competitor)
1	Oil & Natural Gas Corporation Ltd.	Petroleum and Natural Gas	Reliance Industries Ltd.
2	Coal India Ltd.	Coal Mining	Ashapura Minechem Ltd.
3	NTPC Ltd.	Power	Reliance Power Ltd.
4	Steel Authority Of India Ltd.	Steel	Tata Steel
5	Bharat Heavy Electricals Ltd.	Engineering and Defence	Larsen and Turbo (L&T)

Literature Review

Dr. Jay Desai, Nisarg A Joshi (2005)

The main aim of the research was to analyze the feasibility and the impact of mergers and acquisitions on the operating performance of the firm. Oil and Gas was sector which was studied for the research. The merger of acquiring firms i.e. IOCL and RIL were studied. RIL was only able to create high level of EPS for the shareholders and failed to succeed on other parameters post acquisition. It's Return on Net Worth, Return on Capital Employed, Gross Margin, and Net Margin had reduced significantly post-merger. Similar results were also obtained for IOCL who was not able to prove its strength on the financial parameters chosen for the study. The EPS of IOCL went down by half post-merger.

Bhunja, Mukhuti & Roy (2011)

The study discussed about "Financial Performance Analysis-A Case Study". The main aim of study was to identify the financial strengths and weaknesses by covering two public sector drug & pharmaceutical enterprises listed on BSE. For study purpose, they have been selected twelve years from 1997-98 to 2008-09. They analyzed the data by using ratios, and statistical tools like A.M., S.D., C.V., linear multiple regression analysis and test of hypothesis t-test. They used SWOT analysis to overcome the weakness and grab the opportunities available in public sector drug & pharmaceutical enterprises in consideration of strengths and threats. They concluded that growth during last decade was noteworthy and market trend was growing at a faster rate. They suggested that the opportunities can be grabbed through the diversification of export basket in untouched foreign destinations.

Goswami & Sarkar (2011)

This paper have discussion on "Analysis of Financial Performance of Tata Steel – A Case Study", They emphasized to measure & analyze the operating risk, financial risk, and total risk by way of computing the Degree of Operating Leverage, Degree of Financial Leverage, and Degree Of Total Leverage of the selected company of Tata Steel for the accounting period from 2000-01 to 2009-10. On the basis of findings, they have suggested that to cover the fixed operating costs the firm should have to improve its net sales so company able to maintaining the operating risk within the manageable limit in the years to come. They concluded that the company should be maintaining a sound short-term debts paying capacity in future because the use of more amount of external funds may lead to short term solvency.

Dr. Sandeep Goyal (2011)

His research paper attempts to analyze the financing pattern of two leading business enterprise in the heavy electrical sector with diverse nature of funds, viz. BHEL and L&T with regard to pecking order approach in their capital structures. A deliberate attempt has been made in choosing the companies, i.e. BHEL has been taken from public sector and L&T has been taken from private sector. The reason behind this is to appreciate the diverse financing practices of two units in the same sector. It was that BHEL was going for the pecking order dimension in its capital structure, whereas pecking order fails in case of L&T.

Khanifar, Jamshidi & Mohammadinejad (2012)

This study discussed about factors affecting investor's decision by performing fundamental analysis. In this research paper finding the true situation he has covered economy, industry and then firm. The population included in the study was broking firms at Tehram Stock exchange. His study showed that EPS, profit margin, P/E ratio, sales have highest importance in analysts' decision followed by economy related factor and industry related factor.

Tariq Zafar & Khalid (2012)

They have discussed about "A Comparative Evaluation of Financial Performance and Market Value of Maruti & Tata Company". For the purpose of analysis, they have been selected two most preferred companies like Maruti Suzuki Ltd. and

Tata Motors Ltd., and for the using period of 2006-2010. They tried to analyze qualitative and quantitative performance of both companies and to investigated their risk and returns factors, their market position, their collective impact on profitability and to come up with the best and worst performing company by using modern performance evaluating techniques and later ranking them according to their achieved performance.

They concluded from the ratio analysis there was a lack authenticity in data, in calculation which may manipulating presentation by the promoters. They have also found that different firms follow different accounting policies like depreciation allowance; valuation of inventory etc. and often management ignore these differences while making inter-firm comparison. They revealed that the change in price levels due to inflation is also not properly considered by management.

Singla (2013)

He has discussed in his paper about comparison of financial performance between Steel Authority of India and TATA Steel Ltd for the period 2008 to 2012. To analyze the financial performance, he has included the analysis of working capital, analysis of fixed assets and analysis of profitability. He has concluded after comparative analysis of both the firms that performance of TATA STEEL LTD. was better than the SAIL because the Net profit of TATA STEEL LTD. was greater than the SAIL as well as the inventory management of the TATA STEEL LTD. was better than the SAIL.

Dr. Asiya Chaudhary (2016)

This study identify the parameters to measure the changes in the productivity of SAIL and to analyze the change in trend in productivity from 2008 to 2012 of SAIL. The study was an attempt to analyze productivity of steel industry in India using Accounting productivity model introduced by H. S. Davis on SAIL.

Data Analysis

There are four important categories of ratios related to the RATIO ANALYSIS of the firms. They are:-

1. Liquidity ratios
2. Leverage ratios
3. Profitability ratios
4. Activity ratios

1. LIQUIDITY RATIOS

CURRENT RATIO

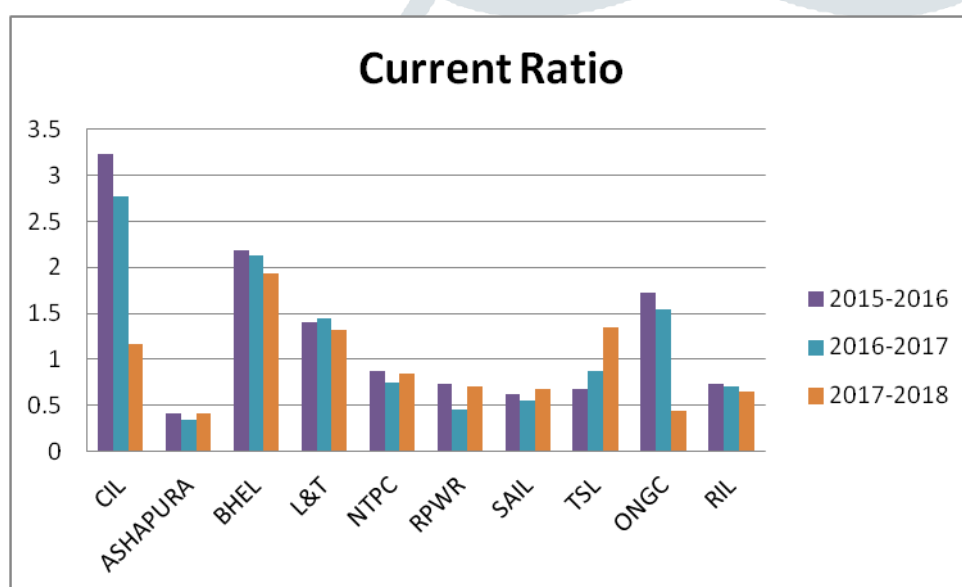
The current ratio is calculated as per the following formula
Current Ratio= Current Assets / Current Liabilities

Current assets include cash and those assets, which can be converted into cash within a year. All obligations maturing within a year are included in current liabilities. As a conventional rule, a current ratio of 2:1 or more is considered satisfactory. The higher the current ratio, the greater the margin of safety.

Table 1.

COMPANY'S NAME	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
CIL	2.28:1	2.58:1	4.73:1	3.23:1	2.77:1	1.17:1
ASHAPURA	0.43:1	0.51:1	0.45:1	0.42:1	0.34:1	0.41:1
BHEL	1.83:1	2.04:1	2.19:1	2.18:1	2.13:1	1.94:1
L&T	1.41:1	1.33:1	1.44:1	1.40:1	1.44:1	1.32:1
NTPC	1.82:1	1.58:1	1.22:1	0.87:1	0.75:1	0.84:1
RPWR	1.15:1	0.64:1	0.47:1	0.74:1	0.46:1	0.71:1
SAIL	1.23:1	0.95:1	0.83:1	0.63:1	0.55:1	0.68:1
TSL	0.70:1	0.61:1	0.71:1	0.68:1	0.87:1	1.35:1
ONGC	1.75:1	1.56:1	1.57:1	1.72:1	1.55:1	0.44:1
RIL	1.73:1	1.42:1	1.27:1	0.73:1	0.70:1	0.65:1

Source: www.moneycontrol.com



As a conventional rule, a current ratio of 2:1 or more is considered satisfactory. The higher the current ratio, the greater the margin of safety.

Table 1 depicts CIL and BHEL are maintaining this ratio and hence are secure as their current ratio is more than 2. But the companies like Ashapura Minechem, NTPC, Reliance Power, SAIL, Tata Steel and RIL are not able to maintain this ratio at all, as these companies have a current ratio of less than 1 and thus have high risk. Larsen & Toubro and ONGC have current ratio more than 1 but less than 2, so these companies have moderate risk and they can achieve the desired ratio in near future.

2. LEVERAGE RATIOS

A. DEBT EQUITY RATIO

From the total debt ratio which clears the percentage of lenders contribution to owner's contribution or the relationship describing the lender's contribution for each rupee of the owner's contribution is called debt equity ratio. A ratio of 1:1 is normally considered satisfactory for most of the companies in all the sectors. It can be calculated by using the following

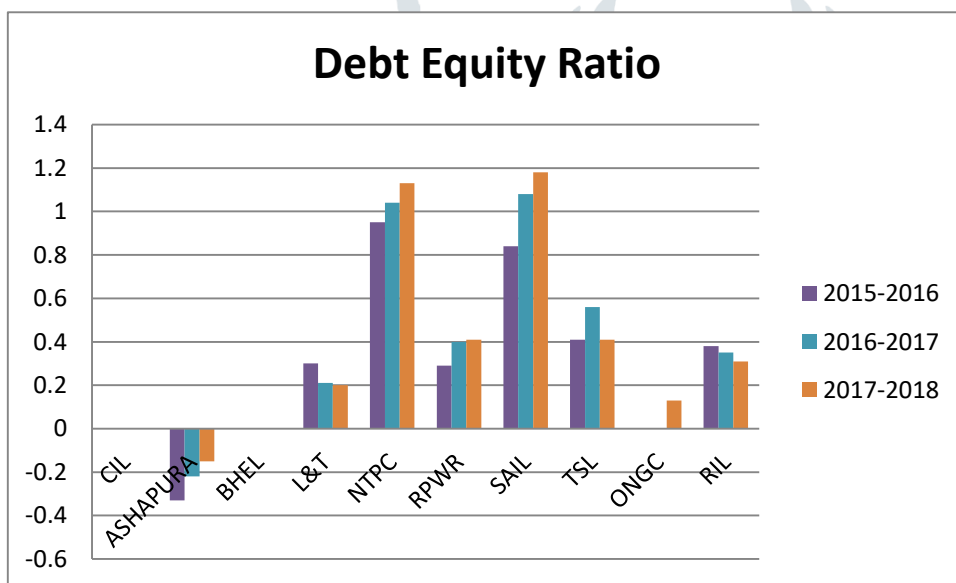
formula:

$$\text{Debt Equity Ratio} = \frac{\text{Long term Debt}}{\text{Shareholders equity}}$$

Table:2

COMPANY'S NAME	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
CIL	0.04	0	0	0	0	0
ASHAPURA	-0.67	-0.51	-0.24	-0.33	-0.22	-0.15
BHEL	0.08	0.05	0	0	0	0
L&T	0.27	0.28	0.33	0.3	0.21	0.2
NTPC	0.66	0.73	0.96	0.95	1.04	1.13
RPWR	0.11	0.15	0.26	0.29	0.4	0.41
SAIL	0.52	0.57	0.65	0.84	1.08	1.18
TSL	0.43	0.39	0.36	0.41	0.56	0.41
ONGC	0	0	0	0	0	0.13
RIL	0.3	0.43	0.41	0.38	0.35	0.31

Source: www.moneycontrol.com



According to table 2 all the other companies (except NTPC) have a ratio less than 1, this means their debt is less than their equity. Also CIL, ONGC and Reliance Power have ratio of zero or equivalent to zero which means they have negligible or no debt at all. Creditors usually like a low debt to equity ratio because a low ratio (less than 1) is the indication of greater protection to their money. But stockholders like to get benefit from the funds provided by the creditors therefore they would like a high debt to equity ratio.

B. PROPRIETARY RATIO

This ratio shows the proportion of total assets of a company which are financed by proprietors' funds. Proprietary ratio is also known as equity ratio. It helps to determine financial strength of a company & is useful for creditors to assess the ratio of shareholder's funds employed out of total assets employed in the company.

$$\text{PROPRIETARY RATIO} = \frac{\text{Shareholders Fund}}{\text{Total Assets}}$$

Table 3:

COMPANY'S NAME	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
CIL	47.73	91.26	79.97	103.41	104.17	73.20
ASHAPURA	-10.78	-97.9	45.87	-31.48	22.8	21.04
BHEL	21.72	10.47	4.16	-2.2	1.53	2.47
L&T	16.86	16.32	13.63	13.04	11.89	10.99
NTPC	15.69	12.78	12.6	11.79	9.75	10.16
RPWR	3.05	0.34	0.14	7.69	0.38	0.01
SAIL	5.29	6.13	4.81	-10.25	-7.86	-1.34
TSL	9.17	10.49	9.66	6.95	6.93	6.77
ONGC	16.81	16.16	12.26	9.73	9.64	10.31
RIL	11.73	11.15	10.51	11.41	10.89	10.68

Source: www.moneycontrol.com

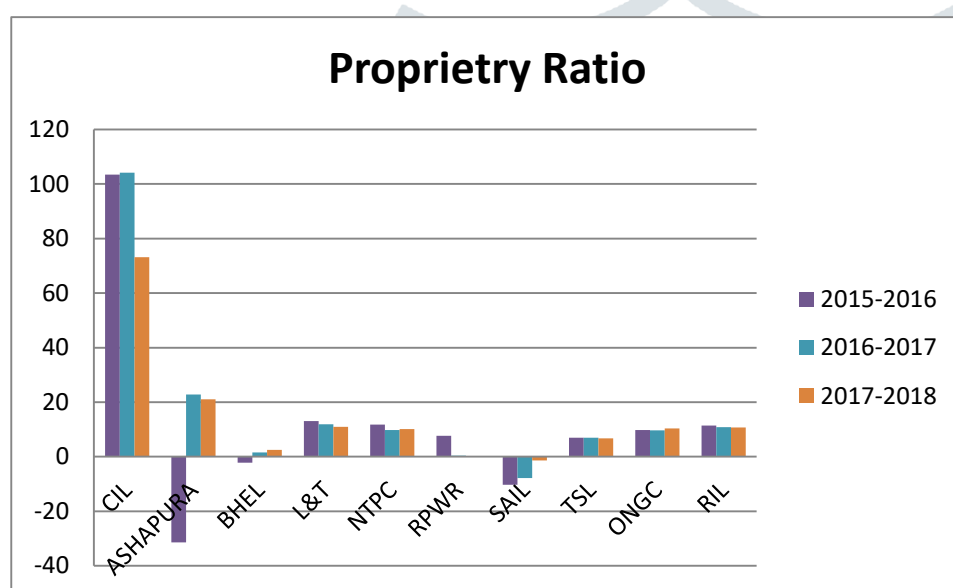


Table 3 depicts that CIL, ONGC and Reliance Power has comparatively high ratio than other companies which indicates a strong financial position of the company and greater security for creditors. A large portion of debts in the total capital may reduce creditors' interest, increase interest expenses and also the risk of bankruptcy. Ashapura, SAIL and NTPC has low ratio which means they need to improve. BHEL, L&T, TSL, RIL have moderate risk but they still need to improve their proprietary ratio. Also, the ratio is not necessarily a good indicator of long-term solvency, since it does not make use of any information on the income statement, which would indicate profitability or cash flows.

3. ACTIVITY RATIOS

A. FIXED ASSETS TURNOVER RATIO

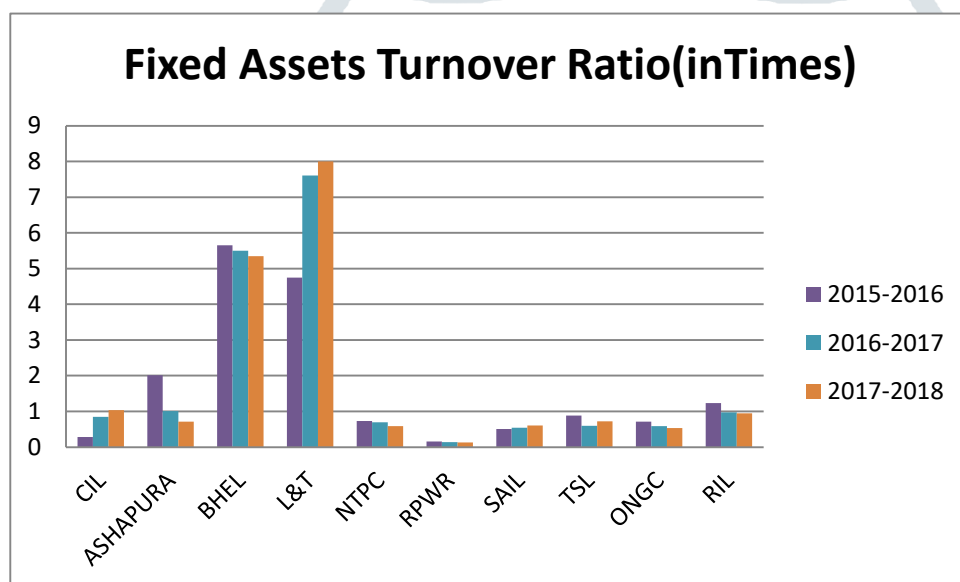
The numerator of this ratio is the sales for the period and the denominator is the balance in the net fixed assets account at the end of the year. This ratio is supposed to measure the efficiency with which fixed assets are employed. A high ratio indicates a high degree of efficiency in assets utilization and a low ratio reflects inefficient use of assets. It is calculated by dividing sales with fixed assets. It is used to highlight the extent of utilization of the company's plant equipment.

Fixed Assets Turnover Ratio = Cost of Sales/ Fixed Assets

Table 4 :

COMPANY'S NAME	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
CIL	0.99	0.87	1.07	0.28	0.85	1.04
ASHAPURA	2.21	2.93	3.24	2.01	1.01	0.71
BHEL	4.64	3.36	2.48	5.65	5.5	5.35
L&T	6.84	4.96	4.73	4.75	7.61	8
NTPC	0.64	0.62	0.57	0.73	0.7	0.59
RPWR	0.14	0.23	0.42	0.16	0.14	0.13
SAIL	1.09	0.89	0.72	0.51	0.54	0.61
TSL	1.01	1.07	1	0.88	0.6	0.72
ONGC	0.86	0.78	0.73	0.71	0.59	0.53
RIL	2.24	2.36	1.93	1.23	0.97	0.95

Source: www.moneycontrol.com



According to table 4 In mining sector Ashapura has high ratio than CIL over the last five years, which means CIL has to increase its fixed assets ratio by increasing sales or decreasing fixed assets. In engineering sector L&T has a higher ratio than BHEL in the last five years. BHEL’s ratio is not too low, so there is nothing to worry. In power, steel and petroleum sector all companies i.e. NTPC and RPWR, SAIL and TSL, ONGC and RIL respectively have low ratio, so all of them has work in order to achieve a higher ratio. While a higher ratio is indicative of greater efficiency in managing fixed-asset investments, there is not an exact number or range that dictates whether a company has been efficient at generating revenue from such investments. For this reason, it is important for analysts and investors to compare a company’s most recent ratio to both the historic ratios of the company and to ratio values from peer companies and/or industry averages.

4. PROFITABILITY RATIOS

A. GROSS PROFIT MARGIN

The first profitability ratio in relation to sales is the gross profit margin. It can be calculated as

$$\text{Gross Profit Margin} = (\text{Gross Profit}/\text{Net Sales}) * 100$$

This ratio indicates the average spread between the cost of goods sold and sales revenue. A high gross profit margin ratio is a sign of goods management. It is relative to the industry average implies the firm able to produce at relatively lower cost. A low gross profit margin may reflect higher cost of goods sold due to the firm's inability to purchase raw materials at favourable terms, inefficient utilization of plant and machinery or over investment in fixed assets resulting higher cost of production.

Table 5:

COMPANY'S NAME	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
CIL	-106.22	-130.66	-63.78	-292.99	-217.59	-141.03
ASHAPURA	14.84	15.24	14.38	8.8	-26.52	-22.13
BHEL	17.42	9.04	3.38	-8.64	0.74	3.96
L&T	9.18	10.37	9.61	8.65	8.01	8.56
NTPC	20.72	18.84	14.52	17.94	19.62	17.45
RPWR	-921.31	-107.3	-11.04	-114.4	-139.86	-85.38
SAIL	7.2	4.71	6.3	-13.57	-5.94	2.69
TSL	24.83	26.1	19.17	13.81	17.36	20.21
ONGC	42.41	39.38	38.73	27.26	24.14	26.5
RIL	5.91	5.66	7.02	13.11	14.37	14.53

Source: www.moneycontrol.com

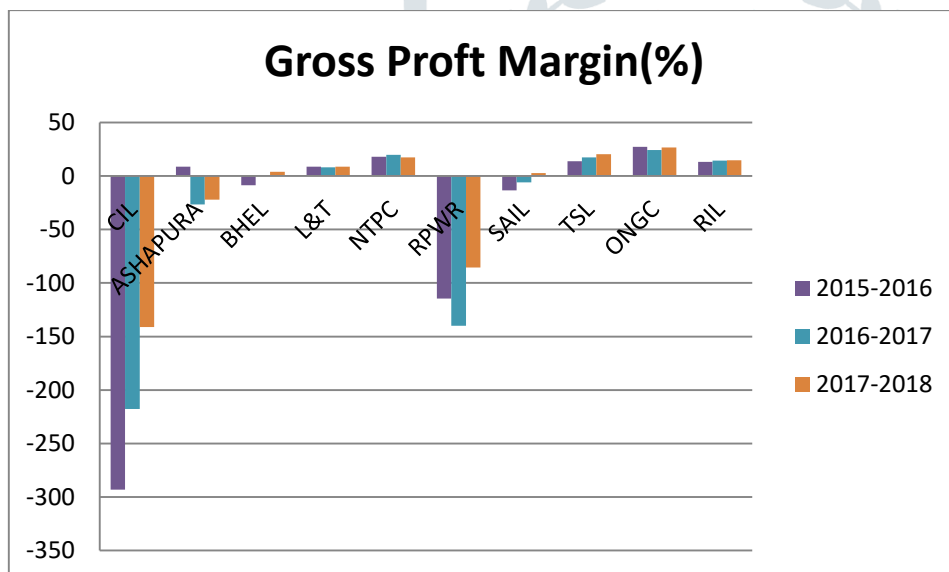


Table 5 indicates that Companies like ONGC, NTPC and TSL have comparatively higher gross margin, this means they are doing good business. L&T and RIL has moderate gross margin, so they need to work hard to improve further. Now companies like CIL and RPWR has negative gross margin over the last five years, SAIL and BHEL for last 2 years and Ashapura for last year. This means they need to do a lot of hard work in order improve their gross margin.

B. NET PROFIT MARGIN

Net profit is obtained when operating expenses, interest and taxes are subtracted from the gross profit. It reveals the remaining profit after all costs of production, administration, and financing have been deducted from sales, and income taxes recognized. Net profit is not an indicator of cash flows, since net profit incorporates a number of non-cash expenses, such as accrued expenses, amortization, and depreciation.

The ratio is measured by using the following formula

$$\text{Net Profit margin} = (\text{Net Profit}/\text{Net Sales}) * 100$$

Table 6 :

COMPANY'S NAME	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
CIL	2780.5	4775.98	3457.16	10024.16	5001.75	2459.63
ASHAPURA	6.76	21.28	-16.54	10.91	-25.03	-28.73
BHEL	13.65	8.84	4.7	-2.66	1.74	2.78
L&T	8.06	9.7	8.86	8.88	8.29	7.23
NTPC	19.21	15.23	14.04	15.2	11.99	12.39
RPWR	4279.18	61.59	18.42	2314.56	133.7	5.08
SAIL	4.86	5.6	4.57	-10.29	-6.37	-0.83
TSL	13.25	15.37	15.41	12.82	7.17	6.99
ONGC	25.21	26.33	21.39	20.81	23.03	23.47
RIL	5.82	5.63	6.9	11.75	12.98	11.58

Source: www.moneycontrol.com

According to Table 6 Net profit margin of CIL and RPWR is very high as compared to other companies; this means they are effective in cost control. On the other hand Ashapura, BHEL, SAIL and TSL has low or even negative ratio, so they are not effective in cost control and thus have to take steps to improve their net profit margin. Now L&T, NTPC, ONGC and RIL has moderate margin and can easily improve their net profit margin.

C. OPERATING PROFIT MARGIN

This ratio is establishes a relationship between net profit and sales and indicates management's efficiency in manufacturing, administering and selling the products. This ratio is the overall measure of the firm's ability to turn each rupee sales into net profit.

Operating margin is a measurement of what proportion of a company's revenue is left over after paying for variable costs of production such as wages, raw materials, etc.

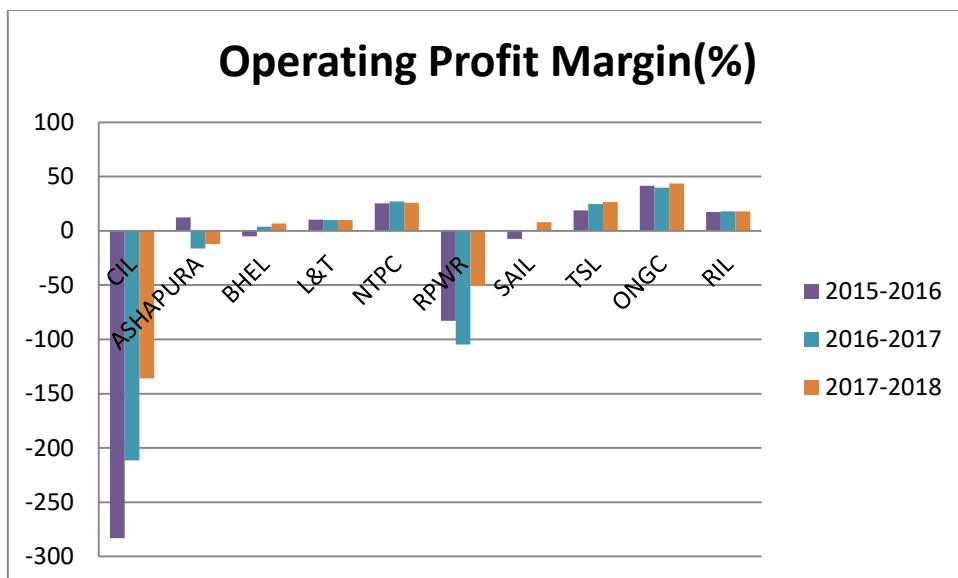
Operating margin is expressed as a percentage, and the formula for calculating operating margin can be represented in the following way:

$$\text{Operating Profit Ratio} = (\text{Operating Net Profit} / \text{Net Sales}) * 100$$

Table 7:

COMPANY'S NAME	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
CIL	-104.82	-128.62	-61.92	-283.07	-211.54	-136.05
ASHAPURA	17.23	16.92	16.5	12.25	-16.19	-12.07
BHEL	19.39	11.55	6.95	-5.13	3.73	6.68
L&T	10.52	11.77	11.37	10.32	9.86	9.97
NTPC	25.89	24.54	21.22	25.24	27.19	25.96
RPWR	-895.17	-89.84	3.54	-82.9	-104.59	-50.68
SAIL	10.34	8.39	10.18	-7.42	0.08	8.02
TSL	29.12	30.72	23.95	18.87	24.74	26.46
ONGC	52.5	52.41	52.55	41.57	39.83	43.53
RIL	8.54	7.91	9.6	17.21	17.87	17.83

Source: www.moneycontrol.com



The operating profit margin ratio is a key indicator for investors and creditors to see how businesses are supporting their operations. If companies can make enough money from their operations to support the business, the company is usually considered more stable. On the other hand, if a company requires both operating and non-operating income to cover the operation expenses, it shows that the business' operating activities are not sustainable.

Table 7 depicts that ONGC, NTPC and TSL have a higher margin as compared to other companies. A higher operating margin is more favourable compared with a lower ratio because this shows that the company is making enough money from its ongoing operations to pay for its variable costs as well as its fixed costs. L&T and RIL have moderate margin which means they are on right path but need some improvement to gain a high margin. On the other hand companies like BHEL, SAIL has very low operating profit margin, so they have to go a long way to improve their ratio in order to make enough money from their operations to support the business. Now some companies have negative margin which means they are not able to make enough money from their operations to support the business. CIL had negative margin consecutively for 6 years, RPWR for 5 years and Ashapura for previous 2 years.

D. RETURN ON CAPITAL EMPLOYED

Return on capital employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated as:

$$ROCE = (\text{Earnings Before Interest \& Tax(EBIT)} / \text{Total Capital Employed}) * 100$$

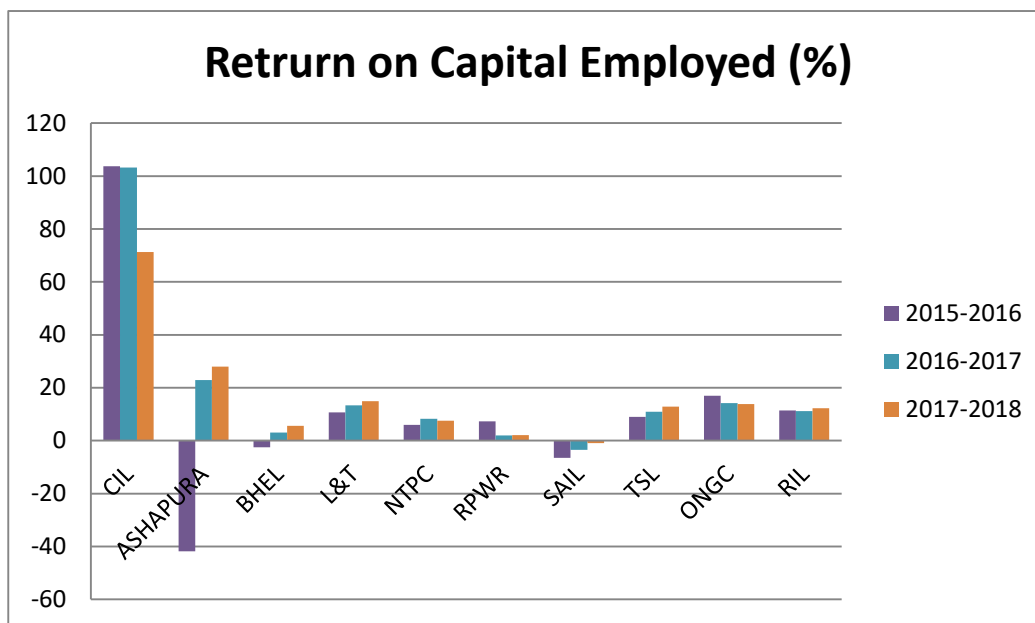
“Capital Employed” as shown in the denominator is the sum of shareholders' equity and debt liabilities; it can be simplified as (Total Assets – Current Liabilities). Instead of using capital employed at an arbitrary point in time, analysts and investors often calculate ROCE based on “Average Capital Employed,” which takes the average of opening and closing capital employed for the time period. A higher ROCE indicates more efficient use of capital. ROCE should be higher than the company’s capital cost; otherwise it indicates that the company is not employing its capital effectively and is not generating shareholder value.

Table 8

COMPANY'S NAME	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
CIL	49.99	95.34	83.03	103.73	103.28	71.34
ASHAPURA	-12.99	-102.64	47.13	-41.78	22.89	27.95

BHEL	22.59	14.43	6.56	-2.49	3.02	5.63
L&T	13.11	13.75	10.89	10.66	13.36	14.95
NTPC	9.11	7.11	6.17	5.94	8.3	7.57
RPWR	3.05	0.33	0.14	7.27	1.95	2.07
SAIL	3.51	4.11	3.22	-6.52	-3.49	-0.86
TSL	12.8	13.37	9.25	9.03	10.95	12.87
ONGC	24.58	23.34	18.45	16.98	14.24	13.88
RIL	12.55	10.97	10.42	11.47	11.16	12.24

Source: www.moneycontrol.com



According to table 7 CIL is the only company to have ROCE above 100 for 2 consecutive years, which is very good and its competitor Ashapura has a ratio of 24 this year after having negative ratio over last 4 years. Now companies like ONGC, RIL, TSL and L&T have a ratio above 10 which is not too bad and they need to improve further. BHEL, NTPC, RPWR have very low ratio and need to do a lot of hard work to gain a higher ratio. Whereas SAIL has negative ratio for 2 consecutive years, it has to go a long way to achieve higher ROCE. Also BHEL had negative ratio in the year 2015-16. This means their capital was not efficiently utilised.

E. EARNINGS PER SHARE

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

$$\text{Earnings per share} = \frac{\text{Net Profit after Tax} - \text{Preference Dividend}}{\text{No. of Equity Shares}}$$

When calculating, it is more accurate to use a weighted average number of shares outstanding over the reporting term, because the number of shares outstanding can change over time. However, data sources sometimes simplify the calculation by using the number of shares outstanding at the end of the period. Diluted EPS expands on basic EPS by including the shares of convertibles or warrants outstanding in the outstanding shares number.

Table 8:

COMPANY'S NAME	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
CIL	15.65	23.76	21.19	26.27	23.12	14.97
ASHAPURA	4.05	17.01	14.25	7.44	-6.78	-7.9
BHEL	27.03	14.14	5.8	-2.9	1.35	2.2
L&T	78.82	59.36	54.46	57.07	39	38.46
NTPC	15.3	13.31	12.48	13.06	11.38	12.54
RPWR	1.83	0.2	0.09	4.63	0.23	0.01
SAIL	5.25	6.33	5.07	-9.74	-6.86	-1.17
TSL	50.28	64.21	64.49	48.67	31.74	38.57
ONGC	24.46	25.83	20.73	12.58	13.95	15.54
RIL	64.8	68	70.2	84.7	49.77	53.08

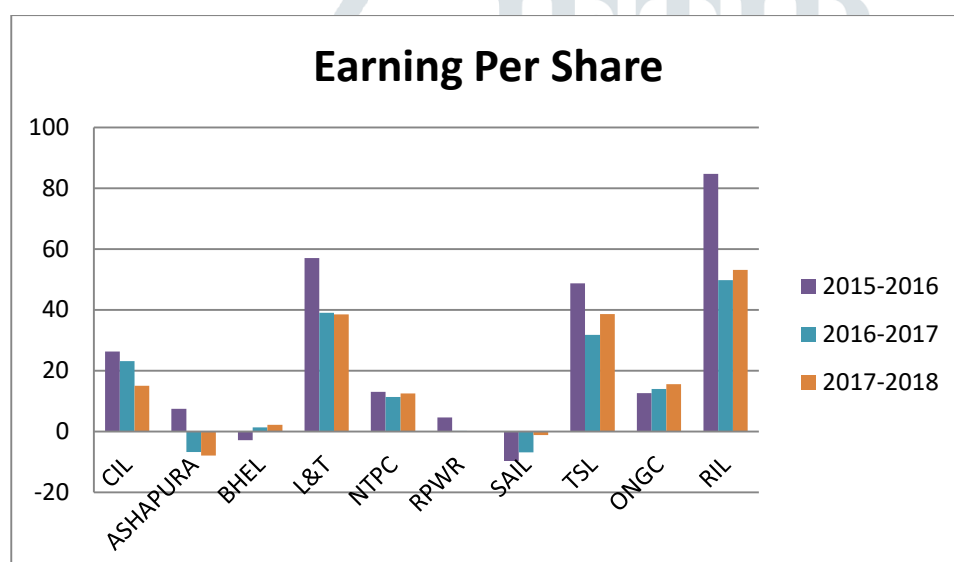


Table 8 indicated that L&T and RIL have a very high earning per share in comparison to other companies, which means they are earning high profits over the years. Higher earnings per share are always better than a lower ratio because this means the company is more profitable and the company has more profits to distribute to its shareholders. TSL, CIL, ONGC, NTPC have fair earnings per share and they have to take steps to earn more profits. These companies have seen a decline in last 2 or 1 year. BHEL and RPWR are having very low earnings per share while Ashapura and SAIL have recorded losses in last year and last 2 years respectively. These companies are recommended to take strong actions to increase their total and per share earnings.

F. RETURN ON SHAREHOLDERS' FUND

The "return on shareholders' funds ratio" provides a quick look at what kind of profit the shareholders of a company are getting for their investment in a particular company. It allows you to compare the return those shareholders are seeing with the return for shareholders of similar companies. More often called "return on equity," or ROE, the ratio involves two numbers drawn from a company's financial statements: stockholders' equity and net income.

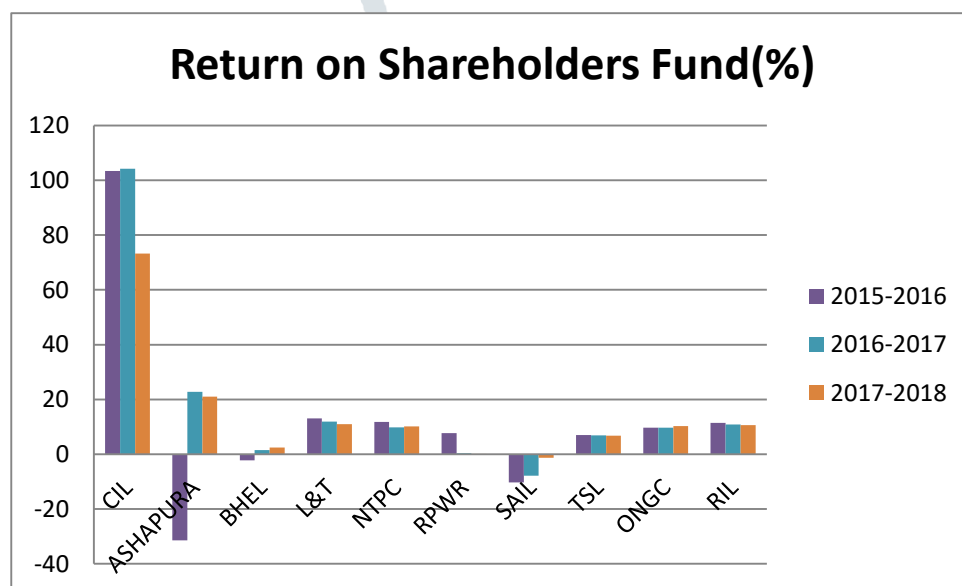
Stockholders' equity is the value a company would have after paying off all its debts and other obligations.

Return on shareholders' Funds= (Net Profit after Interest & Taxes/ Total Shareholders Funds)*100

Table 9:

COMPANY'S NAME	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
CIL	47.74	91.26	79.98	103.41	104.17	73.2
ASHAPURA	-10.78	-97.9	45.87	-31.48	22.8	21.04
BHEL	21.72	10.47	4.16	-2.2	1.53	2.47
L&T	16.86	16.32	13.63	13.04	11.89	10.99
NTPC	15.69	12.78	12.6	11.79	9.75	10.16
RPWR	3.05	0.34	0.14	7.69	0.38	0.01
SAIL	5.29	6.13	4.81	-10.25	-7.86	-1.34
TSL	9.17	10.49	9.66	6.95	6.93	6.77
ONGC	16.81	16.16	12.26	9.73	9.64	10.31
RIL	11.73	11.16	10.51	11.41	10.89	10.68

Source: www.moneycontrol.com



According to table 9 In mining, power and petroleum sectors, maharatna companies i.e. CIL, NTPC and ONGC have higher returns over private sector companies i.e. Ashapura, RPWR and RIL during last 5 years (except 2015-16 in petroleum sector). Higher ratio means higher return on shareholders' investment and a lower ratio indicates otherwise. Investors always search for the highest return on their investment and a company that has higher ROE ratio than others in the industry attracts more investors. Now in engineering and steel sectors, private sector companies i.e. L&T and TSL have higher returns over maharatna companies i.e. BHEL and SAIL for 5 year comparison (except 2012- 13 in engineering sector).

CONCLUSION

After doing the research work on the basis of financial results of ten companies, including both maharatna and private sector companies in five different sectors, now I would like to conclude my report on behalf of financial ratio analysis.

In mining sector in India, Coal India Limited (CIL) which is a maharatna company is doing way better than its private

sector counterpart Ashapura Minechem Ltd. On the basis of ratio analysis between them. CIL has sound current ratio, return on capital, earnings per share, etc but it need to improve its profitability ratios in future.

Companies that I chose in engineering and defence Sector are BHEL a maharatna and Larsen and Toubro a private sector company, both of which are equally competent but in some areas like profitability and returns on capital, BHEL needs to work hard in order to gain investor's trust and L&T needs to improve its liquidity ratio.

Now coming to electricity Sector, among NTPC and Reliance Power Limited, NTPC which is a maharatna company is more efficient financially as it has strong liquidity, profitability and good returns on capital employed, although it should try to improve its debt-equity ratio. On the other hand Reliance Power needs to do a lot in order to work efficiently in future.

In iron and steel industry in India the two major players are SAIL a maharatna and TATA Steel Limited a private sector company. Both the companies have good consumer base and high production capacity but when it comes to financial analysis TATA Steel has an edge over SAIL due to high profitability, liquidity, return on capital and shareholders' funds and other activity ratios. While SAIL has incurred losses in the last two years but it still has opportunity to gain consumer's and investor's trust by changing its strategy and policies.

In oil and gas industry I chose ONGC a maharatna and Reliance Industries Limited a private sector company. Both are leaders in this sector in India. Although Reliance is more popular than ONGC, but financially ONGC is slightly more efficient than RIL. ONGC has good liquidity, profitability, fixed asset turnover, proprietary ratio, etc and RIL has very high earnings per share in comparison to ONGC. With little changes RIL can surely lead this sector in future.

On the basis of above discussion I would like to tell that maharatna companies are more efficient and suitable in mining sector and electricity sector. Private sector companies are suitable for iron and steel industry in India. And both maharatna and private sector companies can work efficiently and effectively in engineering and defence sector and oil and gas sector as both are equally competent in both the sectors.

RECOMMENDATIONS

1. Mining Sector

- The production is nearly stagnant for the want of capital required for expansion of the mining activity. The banks and financial institutions are generally reluctant to give loans to small mine owners without having heavy equipment and machinery and this is coming in the way of augmentation of mines capacity. Therefore, some relaxation by the financial institutions to small mine owners need to be considered based on the valuation of mineral reserves.
- Large numbers of small miners are not able to employ qualified mining engineers and geologists and this has led to unscientific mining in number of cases in violation of MMDR Act and rules. The respective state governments and Indian Bureau of Mines may have to be proactive in this regard.
- There is a large number of non-working mines in various mining belts in the country due to uneconomic working, high stripping ratio, grade and recovery constraints and also forest and environment clearances and poor infrastructure facilities. A critical analysis of small mining sector to address various reasons behind non-working and dormant situation of small mines needs to be undertaken by the state governments
- There is a tendency on the part of the state governments to give preference to value addition and reservation of

potential areas to the state PSUs in grant of mineral concessions. This has resulted in the reservation of large potential areas which have remained blocked for a long period without any exploration and development. At the same time, there is hardly any de-reservation of such potential areas.

- To curb the menace of illegal mining and to ensure scientific mining, it would be necessary to strengthen and re-structure the Departments of Mines & Geology of the state governments on a uniform pattern.
- More role of private players like Ashapura Minechem Ltd. Should be encouraged by the government in order to make this sector globally competitive and efficient.

2. Engineering and Defence Sector

- The first preference for the execution of these projects should lie with those Central Public Sector Enterprises of India (CPSEs) like BHEL, which are the leaders in their respective domains/sectors. These CPSEs, with the requisite experience in their field, not only would help in faster take-off of the projects, but also would be in a position to appreciate the strategic importance and sensitivity of such projects.
- Increasing the production volume requires creation of fresh capacities as well as substantial expansion of existing units. In order to help expansion in capacity suitable incentive scheme should be provided for attracting investment and the FDI in Machine Tools Industry.
- The fragmented nature of the industry affects a synergic growth of the machine tool units along with its supply chain, resulting in shortfalls in technology, quality and services.
- Create appropriate conditions that would enable full capacity utilization of domestic manufacturing entities involved in the Heavy Electrical & Power plant equipment.
- There should be nil duty on raw materials such as pig iron used in foundries while duties on export should be enhanced on raw materials such as iron ore to encourage domestic value addition.
- The local industry does not have information about the type and nature of the long term equipment requirement of the armed forces, the relevant information as contained in various plans and other documents be shared with the industry with the sole objective of enabling the latter to make a concrete decision on investment or technology partnership.

3. Electricity Sector

- In view of a large capacity addition programme from Renewable Energy Sources, Hydro and Gas based power stations are required to play vital role by providing balancing power to cater to the variability and uncertainty associated with Renewable Energy Sources. Therefore, suitable measures to ensure timely completion of capacity addition from hydro and adequate supply of natural gas to stranded gas based power plants may be taken.
- India is now making a transition from power deficit to power surplus scenario. Avenues of exports of surplus power available in the Indian Grid to the SAARC countries need to be vigorously explored and pursued.
- A significant percentage of generating plants in the country is well past their useful life. They also contribute significantly to environmental pollution. A comprehensive study to identify these units and draw up a time bound

action plan for retirement of these inefficient and old units in consultation with the State Governments/ stakeholders.

- There are many problems in Indian power sector which are specific to Indian conditions. Through promotion of R&D, these specific problem areas need to be addressed.
- Regulators need to be sensitized to the challenges faced by the sector and policy framework needs to be crafted and enforced to ensure a win-win situation for all the stakeholders. They must pro-actively intervene to resolve the immediate issues ailing the power sector.
- There is a strong need to push for wider-scale implementation of public private partnership models. The private sector has been playing a key role in generating power, a more supportive environment will help in bridging the energy deficit of the country.

4. Iron and steel industry

- Sufficient number of captive coal mines of high grades of coal should be earmarked to meet the present requirements of sponge iron industry.
- Imports restriction is a need of the hour. It can be attained through imposing safeguard or anti-dumping duties on steel products which are worst hit. Also, efforts are required to remove the steel industry from Free Trade Agreements with countries like Japan and South Korea and the forthcoming RCEP agreement.
- The alloy steel companies cater to the domestic market predominantly. They should be encouraged to produce complex alloy steel grades and export the same under 'Make in India' campaign. It can be attained by offering some special incentive for exports of alloy steel for limited time till they establish their relations in the foreign market.
- Cost of capital is a major concern for highly capital intensive business like steel. The alternative credit arrangements like bonds should be facilitated and encouraged, especially for the secondary producers.
- With the already high exposure to steel sector for the banks, they are generally reluctant to give further loans to the sector. The problem is all the more acute for the secondary and small players. It is therefore, recommended that a steel finance corporation may be created that can act as central funding agency for the sector.
- Better connectivity of steel plants to raw material reserves, ports and steel markets is critical for the steel industry's competitive strength. Along with development of roadways, focus should be given on strengthening coastal/water ways for domestic transport, which is relatively cheaper.

5. Oil and gas industry

- Acquiring energy assets abroad is the most viable way of achieving energy security. As part of its energy security strategy, India has carefully entered into cooperative relationships with several oil-producing countries in Africa and the Middle East. India has also allowed public sector companies such as Oil and Natural Gas Corporation (ONGC) and Oil India Limited (OIL) to secure ownership of oil and gas fields and companies overseas. This cooperation should be promoted and supported by private sector too.
- India's energy efficiency is the fifth-lowest in the world. Therefore, it is imperative to have a consistent energy

policy, relentlessly pursue energy efficiency and conservation, maximise coal production, improve the rail and port infrastructure and develop alternative infrastructure for coal transportation such as coastal rivers. There is also an urgent need to fully exploit the hydroelectric and nuclear potential of the country.

- Various services such as Reservoir mapping, advanced 2D/3D seismic technologies, enhanced oil recovery and advanced drilling technologies should be encouraged in India which would facilitate a robust Upstream Oil & Gas sector in the country.
- Regulators need to be sensitized to the challenges faced by the sector and policy framework needs to be crafted and enforced to ensure a win-win situation for all the stakeholders. They must pro-actively intervene to resolve the immediate issues ailing the power sector.
- There is a strong need to push for wider-scale implementation of public private partnership models. The private sector has been playing a key role in generating power; a more supportive environment will help in bridging the energy deficit of the country.

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