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CRITICAL ANALYSIS OF OVERALL FINANCIAL PERFORMANCE OF CENTRAL COALFIELDS LIMITED, RANCHI

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ABSTRACT

As performance appraisal has many aspects, financial performance appraisal is a major parameter of an organization's performance. Overall financial analysis provides a comprehensive view of the company's financial health, including its profitability, liquidity, solvency, and efficiency. Financial statement analysis is very much helpful in assessing the financial position and profitability of a concern. The analysis would enable the present and the future earning capacity and the profitability of the concern. The present study is based on the secondary data gathered from the official website and annual report of CCL. The main objective of this study is to throwing light on the importance of overall financial performance appraisal of Central Coalfields Limited and its consequent result thereof. As a result the financial performance appraisal has become very significant and its positive effect also has constructing influence in organizational financial stability, Quick position, operating efficiency and productivity. The main finding of this paper is that overall financial performance of CCL is not satisfactory though profitability position in terms of Gross Profit Ratio and Net Profit Ratio is satisfactory.

Keywords: *Financial Performance, Financial Statement, Profitability & Central Coalfields Limited.*

Introduction

Overall financial analysis provides a holistic view of the company's financial health and performance, allowing stakeholders to assess its overall competitiveness and make strategic decisions at the organizational level. It involves analyzing consolidated financial statements that encompass all the activities and operations of the organization. Those organization whose operations are conducting in different unit or in different segment they can mobilize there resources up to the optimum level. Even though the resources are utilized in optimum level many organizations are in profit on overall basis, because some units of that organization facing continuous loss, by improving the performance of that loss making unit overall profit of the organization can increase. Because of which overall financial profit is getting down, gradually which may leads the organization towards winding up. It's also helps the management to relocate the resources from loss making units to those units who are generating regular profit. Financial statement analysis is very much helpful in assessing the financial position and profitability of a concern.

Review of Literature

The financial Performance Analysis is a tool of Analysis and Interpretation of financial statements to peep in to the performance of the organization in context to the goal already fixed.

Keneddy and Mamallaz: "The analysis and interpretation of financial statements are an attempt to determine the significance and meaning of financial statements data, so that a forecast may be made of the prospects for future earning, ability to pay interest and debt maturities (both current and long term) and profitability of sound dividend policy."

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Objectives of Study

The main objectives of the research study are:

- To analyze the overall financial performance of Central Coalfields Limited.
- To assess the earning capacity or profitability of Central Coalfields Limited.
- To assess the operational efficiency and managerial effectiveness.
- To assess the short term as well as long term solvency position of CCL.

Help Stakeholders and other users to make economic decisions by analyzing the performance of company.

Research Methodology

Research is a moment from known to unknown. It is a descriptive study by nature basically it is based on secondary data which has been taken from Annual report CCL head office, case studies ,journals, newspapers, books and online database. In this research paper secondary data have been used for getting an idea about financial performance appraisal of Central Coal Field Limited, Head Office, Ranchi.

Brief Profile of Central Coalfields Limited

Central Coalfields Limited (formerly National Coal Development Corporation Limited)) is a subsidiary of Coal India Limited (CIL), an undertaking of the Government of India. CCL manages the nationalized coal mines of the Coal Mines Authority, Central division. The registered and corporate office is at Darbhanga House, Ranchi, Jharkhand.

Central coalfields limited are a large subsidiary company with its mines scattered around in 7 districts of Jharkhand state. This company is playing important role in pursing the aim and vision of coal India limited. The company is the major source of coal in India.

C.C.L. with its head quarter at Ranchi operates 62 mines (22 underground and 40 opencast mines), 7 coal Washeries (5 Coking Coal Washeries and 2 Non-Coking Coal Washeries), 1 Central Workshop, 5 Regional Repair/Workshop and 7 coalfields with total manpower of 36,194 employees. C.C.L. has 15.3 billion tones coking coal & 19.24 billion tones non-coking coal deserves.

Overall Financial Performance Appraisal of Central Coal Field Limited

As performance appraisal has many aspects, overall financial performance appraisal is a major parameter of an organization’s performance. When in any organization there are different unit, it is but natural that management wants to ascertain the profitability of the overall to know about the financial performance Central Coal Field Limited. As the study is related with the ‘Financial Performance Appraisal the researcher is suppose to have a detailed and comparative analysis of the Financial Performance of Central Coal Field Limited. For the measurement of Financial Performance there are many tools. Here the researcher has used two major parameters the first being Comparative Statement of Profit and Loss and second Ratio Analysis, under Ratio Analysis different ratios has been computed for the measurement of financial performance and decision making.

Comparative Statement of Profit and Loss Account Year wise - CCL

A Comparative Statement of Profit and Loss Account show the detail analysis of total revenue and expenditure and financial position of Central Coal Field Limited during the period 2022-23. Detail analyses of Comparative Statement of Profit & Loss for two years of CCL are as follows:

Table 1: Comparative Statement of Profit & Loss for the year ended 31st March, 2023

	Particulars	**Year Ended 31.03.2023**	**Year Ended 31.03.2022**	**Increase/ Decrease (₹ in Crores)**	**% Change**
	Revenue from Operations				
	Sales (Net of levies)	15226.21	12352.13	2874.08	23.27%
	Other Operating Revenue (Net of levies)	1152.99	1134.29	18.7	1.65%
(I)	**Revenue from Contract with Customers (A+B)**	**16379.2**	**13486.42**	2892.78	21.45%
(II)	Other Income	926.46	336.83	589.63	175.05%
(III)	Coal Issued for other purposes				

(IV)	**Total Income (I+II+III)**	**17305.66**	**13823.25**	3482.41	25.19%
(V)	**Expenses**				
	Colliery Consumption				
	Cost of Materials Consumed	1170.83	855.15	315.68	36.92%
	Changes in inventories of finished goods/work in progress and Stock in trade	-81.81	278.86	-360.67	-129.34%
	Excise Duty			0	
	Employee Benefits Expense	7222.7	5475.62	1747.08	31.91%
	Power Expenses	265.88	261.55	4.33	1.66%
	Corporate Social Responsibility Expenses	43.39	53.14	-9.75	-18.35%
	Repairs	243.12	273.25	-30.13	-11.03%
	Contractual Expenses	1944.87	1867.1	77.77	4.17%
	Finance Costs	75.44	81.77	-6.33	-7.74%
	Depreciation/Amortization/ Impairment	682.98	647.55	35.43	5.47%
	Provisions	92.13	3.41	88.72	2601.76%
	Write off	191.9	0.03	191.87	
	Stripping Activity Adjustments	652.18	725.21	-73.03	-10.07%
	Other Expenses	1050.31	1202.85	-152.54	-12.68%
	Total Expenses (IV)	**13553.92**	**11725.49**	1828.43	15.59%
(VI)	**Profit before Exceptional items and Tax (IV-V)**	**3751.74**	**2097.76**	1653.98	78.85%
(VII)	Exceptional Items				
(VIII)	**Profit before Tax (VI-VII)**	**3751.74**	**2097.76**	1653.98	78.85%
(IX)	Tax expense				
	Current Tax	820.14	404.15		
	Deferred Tax	174.52	-5.33		
(X)	**Profit for the year from continuing operations (VIII-IX**	**2757.08**	**1698.94**	1058.14	62.28%
(XI)	Profit from discontinued operations				
(XII)	Tax expenses of discontinued operations				
(XIII)	Profit from discontinued operations (after Tax) (X-XI)				
(XIV)	Share in JV's/Associate's Profit/(Loss)				
(XV)	**Profit for the year (X+XIII+XIV)**	**2757.08**	**1698.94**	1058.14	62.28%
Other Comprehensive Income					
A	(i) Items that will not be reclassified to profit or loss	237.32	-68.68	306.00	
	(ii) Income tax relating to items that will not be reclassified to profit or loss	-59.72	**17.29**		
B	(i) Items that will be reclassified to profit or loss				
	(ii) Income tax relating to items that will be reclassified to profit or loss				
(XVI)	**Total Other Comprehensive Income**	**177.59**	**-51.39**	228.98	
(XVII)	**Total Comprehensive Income for the year (XV+XVI) (Comprising Profit /(Loss) and Other Comprehensive Income for the year)**	**2934.67**	**1647.55**	1287.12	78.12%

Source: Annual report CCL Head Office (2023).

Interpretation

- Sales (Net) have been increased by 23.27%, due to increase in demand and production.
- Other Operating Revenue has increased by 1.65 %.
- Other Income has been increased by 175.05%.
- The total income of the company has increased by 25.19%.
- Cost of Materials Consumed has been increased by 36.92%.
- Employee benefits expenses have been increased by 31.91%.
- Corporate Social Responsibility Expenses has been decreased by 18.35%.
- Contractual expenses have been increased by 4.17.
- Other Expenses has been decreased by 12.68%.
- The total expenses of the company have been increased by 15.59%.
- Profit after Tax, Profit For the year from continuing operations and Profit for the year has been decreased by 62.28%.

Ratio Analysis Year Wise - CCL

Performance of any organisation can be measured by using many tools; Ratio Analysis is one of the best parameters. Here also for comparative study of overall financial performance different Ratios has been used is as under:

- **Liquidity Ratio:** A liquidity ratio is used to determine a company's ability to pay its short-term debt obligations. The three main liquidity ratios are the current ratio, quick ratio, and cash ratio.

Current Ratio = Current Asset/Current Liabilities

Year	Current Asset	Current Liabilities	Ratio
2018-19	6817.90	6551.16	1.041
2019-20	7453.93	5413.52	1.377
2020-21	9053.57	6543.22	1.384
2021-22	8977.75	6540.39	1.373
2022-23	12043.06	9172.28	1.313

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Current ratio for the FY 2018-2019 was 1.041 for FY 2019-2020 it was 1.377 for FY 2020-2021 it again increases to 1.384 for FY 2021-2022 it decreased to 1.373 and for FY 2022-2023 it again decreased to 1.313. Here it seems that current ratio from FY 2021-22 to FY 2022-2023 is continuously started decreasing, and it is even less than the ideal ratio '2'. Hence its indicates that the company is not able to meets its short-term liabilities adequately. This shows that there is lack of financial stability in company.

Quick Ratio Ratio = Quick Asset/Current Liabilities

Year	Quick Asset	Current Liabilities	Ratio
2018-19	5464.24	6551.16	0.83
2019-20	6220.57	5413.52	1.15
2020-21	7764.90	6543.22	1.19
2021-22	7946.41	6540.39	1.22
2022-23	10898.76	9172.28	1.19

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Quick ratio for the FY 2018-2019 was 0.83 for FY 2019-2020 it was 1.15 for FY 2020-2021 it gets increased to1.19 for FY 2021-2022 it again increased to 1.22 and for FY 2022-2023 it got decreased to 1.19. From FY 2018-2019 to FY 2021-2022 ratio is continuously increasing and it is more than the ideal ratio also i.e. '1' except for FY 2018-19. It shows that company is able to sustain for short-term period.

Cash Ratio = Cash & Cash Equivalent/Current Liabilities

Year	Current Liabilities	Cash & Cash Equivalent	Ratio
2018-19	6551.16	1112.95	0.170
2019-20	5413.52	674.85	0.125
2020-21	6543.22	1242.73	0.190
2021-22	6540.39	2260.36	0.346
2022-23	9172.28	3514.31	0.383

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Cash ratio for the FY 2018-2019 was 0.170 for FY 2019-2020 it get decreased to 0.125 for FY 2020-2021 it increased to 0.190 for FY 2021-2022 it again increased to 0.346 and for FY 2022-2023 it increased to 0.383. From FY 2018-2019 to FY 2021-2022 ratio is continuously increasing except for FY 2019-20 but still it is very less as compared to ideal cash ratio. It indicates that company has very less cash and cash equivalents to meets its short-term debts.

Solvency Ratio

A solvency ratio is a key metric used to measure an enterprise's ability to meet its long-term debt obligations and is used often by prospective business lenders. A solvency ratio indicates whether a company's cash flow is sufficient to meet its long-term liabilities and thus is a measure of its financial health. An unfavorable ratio can indicate some likelihood that a company will default on its debt obligations.

Proprietary/Equity Ratio= Shareholder's Fund/Tangible Asset

Year	Shareholder's Fund	Tangible Asset	Ratio
2018-19	5166.22	15740.20	0.33
2019-20	6416.47	16605.49	0.39
2020-21	7574.76	19481.21	0.39
2021-22	8515.23	20805.83	0.41
2022-23	10517.02	25834.59	0.41

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Proprietary/Equity Ratio for the FY 2018-2019 was 0.33 for FY 2019-2020 it was 0.39 for FY 2020-2021 it remains constant 0.39 for FY 2021-2022 it increased to 0.41 and for FY 2022-2023 it remains same 0.41. It shows that the general financial strength of the company is not that much good.

Interest Coverage Ratio = EBIT/Interest

Year	Interest	EBIT	Ratio
2018-19	75.26	2769.22	36.80
2019-20	75.71	3010.20	39.76
2020-21	84.27	1999.62	23.73
2021-22	81.77	2179.53	26.65
2022-23	75.44	3827.18	50.73

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Interest Coverage Ratio for the FY 2018-2019 was 36.80 for FY 2019-2020 it was 39.76 for FY 2020-2021 it was 23.73 for FY 2021-2022 it increased to 26.65 and for FY 2022-2023 it again increased to 50.73. Since company is in profit continuously from FY 2018-2019 to FY 2022-2023, hence company is in the position to cover its Interest cost for the respective years.

Profitability Ratio

The profitability ratios often considered most important for a business are gross margin, operating margin, and net profit margin.

Gross Profit Ratio = Gross Profit/Net Sale*100

Year	Gross Profit	Sale	Ratio
2018-19	10501.15	11273.99	93.14%
2019-20	10753.33	11642.64	92.36%
2020-21	10101.36	10774.32	93.75%
2021-22	11218.12	12352.13	90.82%
2022-23	14137.19	15226.21	92.85%

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Gross Profit Ratio for the FY 2018-2019 was 93.14% for FY 2019-2020 it was 92.36% for FY 2020-2021 it increased to 93.75% for FY 2021-2022 it decreased to 90.82% and for FY 2022-2023 it increased to 92.85%. Gross profit margin for FY 2019-2020 and FY 2021-22 got decreased. But the ratio is quite good throughout the year, and it shows that average percentage of markup is maintained by the company.

Net Profit Ratio = Net Profit/Net Sale*100

Year	Net Profit	Sales	Ratio
2018-19	1705.64	11273.99	15.13%
2019-20	1849.09	11642.64	15.88%
2020-21	1222.57	10774.32	11.35%
2021-22	1698.94	12352.13	13.75%
2022-23	2757.08	15226.21	18.11%

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Net Profit Ratio for the FY 2018-2019 was 15.13% for FY 2019-2020 it get increased to15.88% for FY 2020-2021 it get decreased to11.35% for FY 2021-2022 it increased to 13.75% and for FY 2022-2023 it again increased to 18.11%. Here it seems like that net profit ratio of the company throughout the year is in positive, which shows that affairs of the company are managed properly.

Operating Profit Ratio = EBIT/Net Sale*100

Year	EBIT	Sales	Ratio
2018-19	2769.22	11273.99	24.56%
2019-20	3010.20	11642.64	25.85%
2020-21	1999.62	10774.32	18.56%
2021-22	2179.53	12352.13	17.64%
2022-23	3827.18	15226.21	25.14%

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Operating Profit Ratio for the FY 2018-2019 was 24.56% for FY 2019-2020 it increased to 25.85% for FY 2020-2021 it was gets decrease to 18.56% for FY 2021-2022 it again decreased to 17.64% and for FY 2022-2023 it gets increased to 25.14%. Here we can see that the operating profit margin of the company is in positive over all these 5 FY, it shows that the operation of company is going good at all and they are able to cover its operating cost also.

Efficiency Ratio

Efficiency ratios include the inventory turnover ratio, asset turnover ratio and receivables turnover ratio. These ratios measure how efficiently a company uses its assets to generate revenues and its ability to manage those assets.

Asset Turnover Ratio = Net Sale/Average Total Asset *100

Year	Sales	Total Asset	Ratio
2018-19	11273.99	15740.20	71.63%
2019-20	11642.64	16605.49	70.11%
2020-21	10774.32	19481.21	55.31%
2021-22	12352.13	20817.10	59.34%
2022-23	15226.21	25834.59	58.94%

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Asset Turnover Ratio for the FY 2018-2019 was 71.63% for FY 2019-2020 it decreased to 70.11% for FY 2020-2021 it again decreased to 53.31% for FY 2021-2022 it increased to 59.34% and for FY 2022-2023 it again decreased to 58.94%. From the above data we can see that the ratio is continuously decreasing except FY 2021- 2022, however the ratio is quite good it means that company is using its assets efficiently to generate revenue.

Fixed Asset Turnover Ratio = Net Sale/Average Net Fixed Asset *100

Year	Sales	Fixed Asset	Ratio
2018-19	11273.99	8922.30	126.36%
2019-20	11642.64	9151.56	127.22%
2020-21	10774.32	10427.64	103.32%
2021-22	12352.13	11839.35	104.33%
2022-23	15226.21	13791.53	110.40%

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Fixed Asset Turnover Ratio for the FY 2018-2019 was 126.36% for FY 2019-2020 it increased to 127.22% for FY 2020-2021 it gets decreased to 103.32% for FY 2021-2022 it increased to 104.33% and for FY 2022-2023 it again increased to 110.40%. From the above data we can see that there is a drastic change in ratio almost 15%-20% throughout the research period, however the ratio is satisfactory it means that company is using its fixed assets efficiently to generate revenue. From FY 2022-2023 it started increasing but not that much as it was earlier in FY 2018-2019.

Inventory Turnover Ratio = COGS/Average Inventory*100

Year	Average Inventory	Cost of Goods Sold	Ratio
2018-19	1353.66	772.84	57.09%
2019-20	1233.36	889.31	72.10%
2020-21	1288.67	672.96	52.22%
2021-22	1031.34	1134.01	109.96%
2022-23	1144.30	1089.02	95.17%

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Inventory Turnover Ratio for the FY 2018-2019 was 57.09% for FY 2019-2020 it increased to 72.10% for FY 2020-2021 it gets decreased to 52.22% from FY 2021-2022 it gets increased and it was 109.96% that year and for FY 2022-2023 it again gets decreased to95.17%. From the above data we can say that company is able to manage its inventory efficiently but consistency is not there. Hence company is efficiently managing its inventory by selling and restocking goods quickly.

Working Capital Ratio = Net Sale/Working Capital*100

Year	Sales	Working Capital	Ratio
2018-19	11273.99	266.74	4226.58%
2019-20	11642.64	2040.41	570.60%
2020-21	10774.32	2510.35	429.20%
2021-22	12352.13	2437.36	506.78%
2022-23	15226.21	2870.78	530.39%

Source: Annual report CCL Head Office (2018-19 to 2022-23)

Interpretation

Working Capital Ratio for the FY 2018-2019 was 4226.58% for FY 2019-2020 it decreased to 570.60% for FY 2020-2021 it again decreased to 429.20% for FY 2021-2022 it increased to 506.78% and for FY 2022-2023 it again gets increased to 530.39%. As we can see that the working capital ratio is positive throughout the research period, so it can be stated that the company is managing its working capital in a well-established manner to generate its revenue.

Conclusion

Overall financial analysis provides a comprehensive view of the company's financial health, including its profitability, liquidity, solvency, and efficiency. It helps stakeholders, such as investors, creditors, and management, to assess the overall performance and financial position of the company. Sales (Net), Operating Revenue, Other Income and Total Income have been increased due to increase in demand and production. And also Cost of Materials Consumed, Employee benefits expenses, Corporate Social Responsibility Expenses, Contractual expenses, Other Expenses and Total expenses has been either increased or decreased. Profit for the year has been decreased by 62.28%. The current ratio of CCL in each year was less than the norm of 2:1. It means the solvency position of CCL was poor and unstable. The Quick ratio of CCL was also less than the norm of 1:1. Though Gross Profit Ratio and Net Profit Ratio of CCL is satisfactory.

Overall financial performance of Central Coal Field Limited is severely affected by several problems. Overall financial performance of Central Coalfields Limited is not satisfactory. This company may improve their financial stability, Quick position, operating efficiency and may take decision about shut down or continuation of operating a particular unit.

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