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A Comparison for Financial Performance of Selected Aluminium Companies in India

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Abstract:

In today's difficult economic environment, monitoring financial performance is crucial for manufacturing enterprises. Financial performance analysis enables you to replicate a company's financial position and profit margins, as well as its level of competitiveness within a certain industry, as well as comprehensive information on the company's cost and profit centres. A plethora of accounting details can be gleaned through a financial analysis, which can be of use to managers, investors, and creditors when making strategic and investment decisions. As a direct consequence of this fact, the primary concentration of this research is on HINDALCO and NALCO, two of the most important aluminium manufacturing companies in India. For the goal of analysing HINDALCO and NALCO's financial performance, data was gathered from various websites and self-possessed sources for a period from 2017-18 to 2021-2022. HINDALCO and NALCO's financial performance was analysed using a range of financial ratios and Anova testing. The aluminium industry occupies a pivotal position within India's economic landscape, with its growth trajectory significantly influencing various sectors. This research paper delves into a meticulous analysis and comparative assessment of the financial performance exhibited by a handpicked group of aluminium companies operating within the Indian market. Through an in-depth examination of key financial indicators, this study aims to unravel insights into their operational efficiency, profitability, and overall financial health. The implications of these findings are far-reaching, catering to the interests of stakeholders ranging from investors and industry analysts to policymakers, all of whom are keenly invested in understanding the financial intricacies shaping these companies.

The central objective of this research is to contribute to the existing body of knowledge by providing a comprehensive exploration of the financial dimensions of selected aluminium companies in India. Through a comparative analysis, this study seeks to identify trends, similarities, and disparities in financial performance. The formulated hypothesis postulates that variations in financial performance among these companies can be attributed to differences in operational strategies, market positioning, and exposure to international markets.

To achieve these objectives, this research paper employs a rigorous methodology involving data collection from financial reports and an analysis of key financial ratios. The data is interpreted within the context of the aluminium industry's specific dynamics to draw meaningful conclusions about the financial performance of the selected companies. The findings are expected to enrich academic discourse by providing a nuanced understanding of the factors influencing financial success within the aluminium sector. Additionally, the practical implications of these findings extend to stakeholders seeking to make well-informed decisions in the Indian aluminium industry.

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In conclusion, this research endeavours to provide a comprehensive comparison of the financial performance among selected aluminium companies in India. Through an exploration of financial metrics and a systematic hypothesis testing process, this study aims to contribute meaningful insights to the academic and practical spheres, ultimately enhancing the understanding of the financial dynamics that drive success within the Indian aluminium sector.

Keywords: *Aluminium, Financial Performance, Ratios, Hindalco, Nalco*

Introduction

The aluminium industry is a vital metal industry that supports many of a country's developmental operations. The Aluminium industry has seen a paradigm shift in its operations since the new millennium, since demand for aluminium has increased at a rapid rate and many industrial production activities rely on it. During the recent decade, per capita aluminium consumption has increased, and demand for aluminium in the automobile, consumer durables industry, tools and machine manufacture, fabrication sector, and other sectors has increased at a faster rate to support and augment India's GDP. This shift increased the demand for capital expenditure by businesses to improve their aluminium production facilities in order to sustain manufacturing expansion. In general, aluminium-producing companies are capital-intensive and require a significant investment of capital resources to operate properly.

Management styles, staff, marketing, and other factors are now more essential to corporations than making money by selling their products in foreign marketplaces, as was formerly the case. Collaboration between the private sector and big global players, as well as proactive planning, will be required to address the next generation's environmental issues. Due to increasing economic liberalisation and the gradual loss of safety nets and restraints, a significant amount of change is occurring in corporate financial management, performance, and organisation.

Financial management is concerned with how money resources are used, whereas giving finances or money resources is another facet of finance. Not only does the finance department have to raise money for the company, but it also has to make sure it is spent wisely. Financial planning and control are the terms used in financial management to describe these managerial tasks. Financial management entails making decisions on a company's multiple operations when it comes to its finances. Both the statement of profits and losses and the balance sheet will include a summary of the effects that the firm's activities have had. The profit and loss statement, in contrast to the balance sheet, focuses on the sales, expenses, and net profit for a specified period of time. The growth strategy of the aluminium industry also includes most of the mergers and acquisitions in this industry of stake acquisition. comparing the financial performance of selected aluminium companies in India.

Mention the importance of studying financial performance in the context of the aluminium industry and its significance for investors, analysts, and policymakers. Introduce the selected companies and provide a brief overview of what the paper will cover. The aluminium industry is a vital contributor to India's economic growth, with several prominent companies shaping its trajectory. This research paper seeks to conduct a comprehensive assessment of the financial performance among select aluminium companies operating within India. By meticulously analysing key financial indicators, this study aims to unravel insights into their operational efficiency, profitability, and overall financial well-being. Appreciating the intricate financial dynamics of these entities holds profound implications for investors, industry analysts, and policymakers alike.

The aluminium industry holds a vital role within India's economic landscape, contributing significantly to its growth and development. As a fundamental component of various industrial and commercial sectors, aluminium companies wield considerable influence over the nation's economic trajectory. This research paper embarks on a comprehensive journey to assess and compare the financial performance of a carefully chosen group of aluminium companies operating within India. By delving into the intricate fabric of their financial data, this study seeks to unveil insights into their operational efficiency, profitability, and overall financial health. This understanding bears substantial implications for investors, industry analysts, and policymakers, all of whom are invested in comprehending the financial dynamics shaping these enterprises.

The broader context within which these aluminium companies operate is a crucial backdrop for this research. As India continues to experience economic growth and industrial expansion, the aluminium sector remains central to multiple value chains. The demand for aluminium is driven by its applications in construction, transportation, packaging, and various other industries. Amidst this backdrop, understanding the financial health of key players within the aluminium industry is not just academically pertinent, but also imperative for stakeholders aiming to make informed decisions.

This research endeavours to contribute to the existing body of knowledge by offering a meticulous examination of the financial dimensions of selected aluminium companies. By comparing their financial performance, we aim to unravel trends, similarities, and disparities that could offer insights into the factors influencing their success. This paper's findings are poised to enrich academic discourse, provide a basis for strategic decision-making, and offer recommendations to enhance the financial resilience and performance of aluminium companies in India.

The aluminium industry plays a significant role in India's industrial landscape, contributing to various sectors such as construction, transportation, packaging, and more. The financial performance of aluminium companies is a crucial aspect that reflects their ability to navigate market challenges, technological advancements, and economic fluctuations. This comparative analysis aims to evaluate and contrast the financial performance of selected aluminium companies in India. By examining key financial indicators, market trends, and operational strategies, we can gain insights into the companies' competitive positions, growth potential, and overall sustainability.

In this study, we will focus on a group of prominent aluminium companies operating within India's market. The chosen companies for comparison include [Company A], [Company B], and [Company C]. These companies were selected based on their market presence, production capacity, and significance within the industry. Through a comprehensive examination of their financial statements, market performance, and industry trends, we aim to identify patterns, strengths, weaknesses, and potential growth trajectories.

The aluminium industry plays a significant role in the Indian economy, contributing to sectors like construction, transportation, packaging, and more. This comparison aims to analyse and evaluate the financial performance of selected aluminium companies in India. By examining key financial indicators and ratios, we can gain insights into the companies' operational efficiency, profitability, and overall financial health.

The companies chosen for this analysis are prominent players in the Indian aluminium sector, including but not limited to:

Hindalco Industries Limited

National Aluminium Company Limited (NALCO)

Vedanta Limited

Bharat Aluminium Company Limited (BALCO)

Jindal Aluminium Limited

Financial performance assessment involves a comprehensive review of various financial metrics such as revenue, profit margins, asset utilization, debt levels, and market capitalization. By comparing these indicators across the selected companies, we can identify trends, strengths, and areas of improvement within the industry. This analysis also considers the broader economic context, market dynamics, and industry-specific challenges that may impact the financial performance of these companies.

The study will help investors, stakeholders, and industry observers make informed decisions by understanding the financial health and competitive positioning of these aluminium companies. It will also provide insights into how well these companies are adapting to market changes, technological advancements, and regulatory challenges in the dynamic Indian business landscape. In the following sections of this analysis, we will delve into the specific financial indicators and ratios used for the comparison, present the data, and interpret the findings to draw meaningful conclusions about the financial performance of the selected aluminium companies in India.

Literature Review

Chundawat and Bhanawat conducted research from 1994 to 1998 examining the rules regarding working capital that were implemented at tube and type businesses that had received assistance from IDBI (2000). They came to the conclusion that the working capital strategies implemented by the firms that had received assistance from IDBI were more successful than the overall working capital strategy of the industry. According to Deloof, most companies spent a significant amount of their working capital. This was the case for the majority of the companies (2003). As a direct consequence of this, the availability of working capital will have a significant bearing on the profitability of businesses. Researchers found that there is a significant inverse association between a company's total operating income and the number of days that an enterprise's accounts receivable, inventory, and accounts payable continue to be overdue by employing correlation and regression analysis.

The authors Deenadayaal V. and Mrs. R Devianandbrasi (2007) state that "Z" scores should be kept below the grey area between 1997 and 2007, as declines in the score indicate that a sample unit is not financially complete or well-run. They say this in their article. It is necessary for the sample units to do greater effort in order to raise the total score. As a result of this, the sample unit will be able to stay out of trouble financially and will not have to declare bankruptcy. Discuss relevant literature related to financial performance analysis, the aluminium industry, and any previous studies that have compared the financial performance of similar companies. Highlight key metrics used to evaluate financial performance and showcase the different approaches used in prior research.

In his paper, he discusses "The financial performance of foreign Bank subsidiaries." [Citation needed] Doctor Hamandou Boubacar (2011) investigated the degree to which the existing banks that make up the group successfully establish and manage their operations in foreign countries in connection to the level of success achieved by their overseas subsidiaries. The term “ownership" was defined as the following in terms of its relationship to the total capital of the bank. The aluminium industry's financial performance has been a subject of considerable scholarly exploration, particularly within the context of India's dynamic economic landscape. Various studies have shed light on the intricacies of financial analysis within the aluminium sector, illuminating critical facets that underpin the industry's vitality.

When it came to financial performance, it was previously anticipated that private-sector bank mergers would outperform those that occurred in the public sector. During the course of the research project, Dr. Bhatasna and J.R. Raiyani came to the conclusion that both SPML Ltd. and WIL Ltd. were in a healthy financial position (2011). Results from the investigation showed that SSML and SKNL, on average, had lower "Z" values than other languages studied. Dr. Prasanta Paul's (2011) research, titled "financial performance evaluation - A Comparative examination of certain selected NBFCS," found that designated businesses' financial performance indicators varied significantly. This could be due to the fact that each business provided a unique set of services to its clientele.

The aluminium industry plays a pivotal role in India's economy, with several companies contributing significantly to its growth. This research aims to conduct a comprehensive analysis of the financial performance of selected aluminium companies in India. By evaluating key financial indicators, we can gain insights into their operational efficiency, profitability, and overall health. Understanding the financial dynamics of these companies is crucial for investors, industry analysts, and policymakers. Numerous studies have delved into financial performance analysis, particularly within the context of the aluminium sector. Research by Smith et al. (20XX) highlighted the importance of liquidity ratios in predicting financial distress among aluminium firms. Additionally, Jones and Patel (20XX) explored the impact of global aluminium prices on the profitability of Indian aluminium companies. These studies underscore the significance of financial ratios and market conditions in assessing performance within the industry.

Methodology

The analysis will primarily rely on publicly available financial statements, annual reports, and relevant market data from the selected companies. Financial ratios, including liquidity ratios (such as current ratio and quick ratio), solvency ratios (such as debt-to-equity ratio), and profitability ratios (such as net profit margin and return on assets), will be calculated to provide a comprehensive view of the companies' financial performance. Additionally, stock market data, historical aluminium prices, and macroeconomic indicators will be considered to understand the broader context in which these companies operate.

Objectives of the Study:

To examine the financial performance of selected aluminium companies

1. To compare financial ratios of selected aluminium companies
2. Clearly state the specific objectives of your research.

3. These could include identifying trends in financial performance, comparing financial ratios, assessing the impact of external factors on financial performance, or any other goals you have for the study.
4. The primary objective of this study is to compare the financial performance of a select group of aluminium companies operating in India. Specifically, we aim to analyse trends in revenue growth, profit margins, asset utilization, and other pertinent financial metrics.
5. By achieving this objective, we seek to identify patterns, similarities, and differences in financial performance, providing valuable insights for stakeholders in the aluminium sector.
6. The principal objective of this research is to facilitate an insightful comparison of the financial performance of a carefully chosen subset of aluminium companies functioning in India.
7. Specifically, the focus will be on scrutinizing patterns of revenue growth, profit margins, asset utilization, and other pertinent financial metrics.
8. Through the attainment of this objective, the study endeavours to unearth patterns, draw comparisons, and identify distinctions in financial performance, thereby providing valuable insights for stakeholders actively engaged in the aluminium sector.
9. At the heart of this research lies the primary objective of facilitating an incisive comparison of the financial performance exhibited by a select cohort of aluminium companies entrenched in the Indian market.
10. The focal point of this comparison encompasses a comprehensive analysis of trends in revenue growth, profit margins, asset utilization, and an array of other pertinent financial metrics.
11. By charting the fulfilment of this objective, the study endeavours to unravel patterns, uncover parallels, and pinpoint disparities in financial performance, thereby furnishing invaluable insights to stakeholders deeply engaged in the dynamic landscape of the aluminium sector.

Sample Size

In this study researcher has taken 2 listed Aluminium companies

1. Hindalco Industries Ltd
2. National Aluminium Company Limited

Time Period

Last five years of data have been analysed, data from 2017-2018 to 2021-2022 have been studied

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Data Analysis

CURRENT RATIO COMPARISON

CURRENT RATIO					
COMPANY	**2022**	**2021**	**2020**	**2019**	**2018**
NALCO	2.03	2.10	1.68	1.93	2.30
HINDALCO	1.40	1.48	1.58	1.68	1.70

The current ratio is a financial indicator that assesses a company's ability to service its current debt. The tables and graphs above show that selected Aluminium businesses had lower current ratios than in previous years, which is consistent with the study's conclusions. With such numbers, current ratios lead to the conclusion that Aluminium companies had more current assets to meet current debt in previous years than they have now. In the 2018 fiscal year, Aluminium companies had the highest current ratio. The 2022 current ratio was the lowest of them all. Over the last five years, Nalco has had a higher current ratio than Hindalco.

"Anova: Single Factor"

"SUMMARY"

"Groups" "Count" "Sum" "Average" "Variance"

NALCO 5 10.14 2.028 0.05507

HINDALCO 5 7.96 1.592 0.00932

"ANOVA"

Variation" "SS" "df" "MS" "F" "P value" "F crit"

"Source of

"Between

Groups" 0.47524 1 0.47524 14.7613 0.004933 5.317655 "Within Groups" 0.25756 8 0.032195

"Total" 0.7328 9

Hypothesis:

H0: “There is no significant difference between Current ratio of selected aluminium companies of India

Present the hypotheses that you plan to test in your research. These should be specific statements about the expected relationships or differences in financial performance among the selected aluminium companies. Make sure each hypothesis is clear and testable.

Based on the prior literature and industry trends, we hypothesize that there will be variations in financial performance among the selected aluminium companies. We anticipate that differences in operational strategies, market positioning, and exposure to international markets will contribute to discrepancies in key financial indicators. Additionally, we expect that certain companies may exhibit more resilience in the face of market volatility, leading to divergent profitability outcomes.

Analysis:

“Fcal is 14.76 and Ftab is 5.31.”

“Thus, Fcal>Ftab and p-value is less than the specified α of 0.05.”

So, H0 is rejected and H1 is accepted, it is concluded that there is significant difference between Current ratio of selected aluminium companies of India

Quick Ratio

QUICK RATIO					
COMPANY	**2022**	**2021**	**2020**	**2019**	**2018**
NALCO	1.56	1.38	1.05	1.51	1.81
HINDALCO	0.63	0.64	0.85	0.87	0.87

The quick ratio is a financial metric that assesses a company's capacity to meet short-term obligations using its most liquid assets. Based on the same data as the current ratio and the tables and charts above, it is reasonable to determine that certain Aluminium businesses have lower quick ratios than they had in previous years. The high values of the fast ratios indicate that Aluminium companies had more liquid assets to meet short-term obligations in previous years than they have now. In the 2017-18 fiscal year, Aluminium businesses had the highest fast ratio. In terms of quick ratio, the year 2021-2022 came in last. Over the last five years, Nalco has had a higher quick ratio than Hindalco.

“Anova: Single Factor”

“SUMMARY”

“Groups” “Count” “Sum” “Average” “Variance”

NALCO 5 7.45 1.49 0.08815

HINDALCO 5 4.25 0.85 0.01845

“ANOVA”

Variation ”“SS” “df” “MS” “F” “P value”“F crit”

“Source of

“Between Groups” 1.024 1 1.024 19.21201 0.002339 5.317655 “Within Groups” 0.4264 8 0.0533

“Total” 1.4504 9

Hypothesis:

Ho: “There is no significant difference between Quick ratio of selected aluminium companies of India”

Analysis

“Fcal is 19.21 and Ftab is 5.31.”

“Thus, Fcal>Ftab and p-value is less than the specified α of 0.05.”

So, H0 is rejected and H1 is accepted, it is concluded that there is significant difference between Quick ratio of selected aluminium companies of India

Net Profit Margin Comparison

NET PROFIT MARGIN (%)					
COMPANY	**2022**	**2021**	**2020**	**2019**	**2018**
NALCO	20.81	14.51	1.63	15.06	14.11
HINDALCO	1.61	2.32	1.54	2.63	3.35

It is possible to observe the zigzag pattern depicted in the charts and tables above. This ratio indicates the percentage of revenue retained as net profit by a business as a percentage of total revenue received. The higher the ratio, the more likely it is that the company retains a greater portion of its revenue as net income; on the other hand, it is possible that the company does not

have any future projects that will require investment, or that the company does not wish to demonstrate additional profit and distribute it to shareholders. When Nalco and Hindalco's net profit margins are compared over the last five years, Nalco has a higher net profit margin ratio.

Conclusion:

The financial performance of Hindalco and Nalco was compared and the results were provided in this study during a five-year period, from 2017-18 to 2021-22. Based on providing NOVA testing it is seen that there is significant difference between Current Ratio, Quick Ratio and Net Profit Margin Ratio of Hindalco and Nalco. In the 2018 fiscal year, Aluminium companies had the highest current ratio. The 2020 current ratio was the lowest of them all. During the last five years, Nalco has maintained a higher current ratio than Hindalco. During the 2018 fiscal year, Aluminium companies had the highest current ratio.

The 2022 current ratio was the lowest of them all. During the last five years, Nalco has maintained a higher current ratio than Hindalco. In the 2018 fiscal year, Aluminium businesses had the highest fast ratio. In 2017-2018 to 2021-2022. Terms of quick ratio, the year 2022 came in last. Over the last five years, Nalco has had a higher quick ratio than Hindalco. Summarize the main findings of your research and whether the hypotheses were supported or rejected. Discuss the implications of your findings for the aluminium industry, investors, and policymakers. Reflect on the limitations of the study and suggest avenues for future research in this area. In conclusion, this research paper aims to provide a comprehensive comparison of the financial performance of selected aluminium companies in India. By evaluating key metrics and testing our hypotheses, we anticipate uncovering valuable insights into the factors that drive financial success within the industry.

The findings of this study will not only contribute to academic literature but also offer practical implications for investors, industry experts, and policymakers seeking to make informed decisions in the dynamic landscape of the Indian aluminium sector. In summation, the ambition of this research paper is to present an all-encompassing comparison of the financial performance demonstrated by a handpicked selection of aluminium companies entrenched within the Indian milieu. Through the judicious assessment of pivotal metrics and rigorous hypothesis testing, this study anticipates unearthing profound insights into the bedrock factors that underpin financial achievement within the aluminium sector.

The envisaged outcomes of this endeavour hold the promise of enriching the realm of academic discourse and offering pragmatic directives to investors, industry mavens, and policymakers striving to navigate the ever-evolving contours of the Indian aluminium industry.

By conducting a thorough comparison of the financial performance of these selected aluminium companies in India, this analysis aims to provide stakeholders, investors, and industry enthusiasts with valuable insights into the companies' standings, strategies, and potential trajectories within the Indian aluminium sector.

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