FINANCIAL PERFORMANCE EVALUATION OF MINERALS & METALS TRADING CORPORATION (MMTC) OF INDIA SINCE LIBERALISATION

ABSTRACT

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BY
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ABSTRACT

The economic development of a nation depends on utilizing its natural resources optimally. Mineral resources are essential natural assets which help in the industrial development of a country that ultimately enhances the living standard of the people. Industrialization is possible only when ample resources are available. Industries engaged in various types of production processes depend heavily on these resources. The rationale behind the establishment of an industry is to meet the social and economic requirements of a nation. Generally, the ownership of natural resources lies in the hands of the State and business process of these resources is done by the State run companies i.e. Public Sector Enterprises (PSEs).

The sound performance of any enterprise reflects how effectively its resources are utilized. Performance indicates the management set up of an enterprise which is accomplishing the goals that are being set for the enterprise. It is the measure of a degree to which an organization fulfills its purpose and tries to achieve its objectives. There are various aspects to measure the performance viz. marketing, human resource, operations and finance being major areas for measurement of overall performance of any company. Financial Performance is thus the key tool to measure the overall activities of a company. There are many techniques available to check the performance of financial activities in an industrial set up. Generally, financial performance of a company is checked through its financial statements published annually. Financial performance indicates as to what extent does a company utilizes its assets. Financial Performance Evaluation gives a thorough account of marketing practices, human resource management, operations and trading practices of a company which is going through its financial statements for a given period of time. Financial Statements give a clear picture about the working and progress of a company. Balance Sheet, Profit & Loss Account and Cash Flow Statement are the chief financial statements. These financial statements are considered in acquiring information for evaluation of financial performance.

The Indian subcontinent is endowed with a rich variety of natural mineral wealth. There are numerous valuable natural resources found in India. The Government has sole ownership upon the natural resources found in its territory. Business of these resources is the primary function of Government owned companies called public sector enterprises. Public Sector Enterprises play significant role in Indian economy.
In India, there are number of public sector companies that are doing business in different sectors such as minerals, metals, coal, electricity, oil and gas etc. These companies are responsible for acceleration of economic development of India. Minerals and Metals are natural resources and business of these resources yields a major contribution in economic growth of the nation. State Trading Corporation (STC), National Minerals Development Corporation (NMDC), Minerals Exploration Corporation Limited (MECL), Gujarat Mineral Development Corporation (GMDC) and Minerals and Metals Trading Corporation (MMTC) are some of the major public sector companies which are doing business in minerals and metals at national as well as international level. MMTC Ltd. is a state owned corporation of India engaged in the trade of Minerals and Metals. It is the leading international trading company for Public Sector avenues engaged in import of Minerals and export of Metals. Being an international trading company, it thus becomes essential to measure the financial performance of this company and this research work basically deals with this issue.

Performance and financial position are the key inputs for decisions related to activities of the concerned company. To understand and analyze the financial viability of a company, it is important to peruse through its financial statements. One can procure most of the information related to the company’s performance from its financial statements. A company's performance evaluation should be the prerequisite for developing any financial relation of the company. Financial Performance is a process of measuring the results of policies and operations of a company in monetary terms. It is used to measure overall financial health of a company over a given period of time. The performance of a company can be measured through its financial results. Financial performance is therefore, normally adjudged by a series of ratios or other accounting parameters. However, it is to be noted that fundamentally, the balance sheet indicates the financial position of the company as on that point of time.

Financial Performance Evaluation is the appraisal and interpretation of financial statements of a business concern. It is the study of relationship among various financial factors of a business disclosed by a single set of statements and study of these factors as shown in a series of statements.

Financial analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their
bases in making business decisions. There are different tools and techniques available for doing evaluation of financial performance of any company. Financial performance can be analyzed with the help of accounting, financial as well as statistical tools and techniques. Accounting techniques include common size statements analysis, comparative financial statements analysis, ratio analysis etc while financial techniques consist of Economic Value Added (EVA) and Market Value Added (MVA) etc. The statistical techniques include correlation and regression etc used for analysis.

Minerals and Metals Trading Corporation (MMTC) Ltd. is an international trading company of Indian Government. It was established in 1963 with the aim to accelerate international trade of Minerals, Metals and Agro Products etc. It was set up to bifurcate the State Trading Corporation (STC) in a viable mode. The State Trading Corporation of India Ltd. was founded in 1956 as a wholly owned government subsidiary with the aim to manage the export and import of selected commodities. However, the need for a specialized institution which could handle the complexities of mining, transporting and exporting large amounts of mineral ores became increasingly apparent and in 1963, the MMTC was established specifically to monitor trade in minerals and metals and in particular, iron ore which it began purchasing from the public and private sector mining companies. Its initial objective was twofold, one was to ensure full employment of miners in less developed areas and second was to oversee the import and distribution of raw materials to agriculture and industry where production often fell short of domestic requirements. MMTC is India’s largest international trading company and is recognized as first Public Sector Undertaking to be awarded Premier Trading House status in the country. It is actively involved in exploring overseas markets for export and sourcing material for domestic needs. The diverse trade activities of the company encompass third country trade, joint ventures and link deals including all modern day tools of international trading. The vast international trade network of MMTC includes a wholly owned international subsidiary in Singapore which spans almost in all countries of Asia, Europe, Africa, Oceana and America, providing global market coverage to MMTC.

**Research Problems**

The Minerals and Metals Industry is the primary sector for a country. Its importance becomes vital especially in present industrial era. It plays a significant role in
economic and social development of the country. The researcher would like to conduct a study on the financial aspects of Minerals and Metals Trading sector with special reference to Minerals and Metals Trading Corporation (MMTC) of India Ltd. The main purpose of this study is to look into the operational activities, business practices and financial efficiency of this corporation through its financial statements. In recent times, a number of financial problems faced by the Public Sector Enterprises (PSEs) require analytical studies related to financial performance. The present effort is a Doctoral Research agenda on ‘Financial Performance Evaluation of Minerals & Metals Trading Corporation (MMTC) of India since Liberalisation’. Analytical study of financial performance turns out to be very significant and important for the financial managers to analyze various financial aspects. The corporation uses various indicators for measuring its financial performance. It indicates the importance of financial health status of the corporation.

An analysis of financial statement can highlight the strength and short comings of a company. This information can be used by management to improve performance and by others to predicate future results. Financial analysis can be used to predict strategic decisions like sales of a division, major marketing program or expanding a plant which are likely to affect future financial performance. Consequently, the analysis of the profitability of MMTC gets importance in the present day context. For measuring the financial performance, the liquidity, profitability, solvency, market performance and operational efficiency of MMTC is to be considered.

It has been observed that the import of Minerals and Metals by MMTC exceeds to its export which means that the Balance of Payment is going to be negative on a continuous basis. Moreover, MMTC is engaged in domestic trade on a very small scale. Since, it is an international company, its performance should be good enough so that it could contribute in economic development of the country. The purpose behind this study is to analyze the performance of MMTC in order to evaluate how much it is contributing in accelerating the efficiency of the economy. For this purpose, financial analysis is being done which helps in revealing each and every aspect of the company’s performance. Some of the major areas related to financial performance which need to be studied are as under:
• MMTC plays a crucial role in export and import of Gold, Gems, Jewellery and Precious Stone etc. which is an important component of India’s trade and it is playing a vital role in canalized trade, therefore, its evaluation becomes important.

• The profitability of the company declined steeply since liberalization which needs to be addressed so that further deterioration should be prevented.

• MMTC experienced an erosion of equity value since last few years, therefore there is a need to examine, if disinvestment should be preferred for the company.

• Contribution of the company in domestic trade is not significant, the growth potential of domestic trade also needs to be analyzed.

• There is a continuous surge in the import of MMTC, whereas the export of the company is almost stagnant considering India’s alarming trade deficit, this trade gap should also be arrested.

• Despite unsound financial results, the share of MMTC is higher than the price supported by the fundamental factors which is also a cause to be examined.

• Despite large sales volume and satisfactory liquidity position, profit margin of the company and solvency remained a concerned area to be addressed for survival of the company in long run.

Research Gap

The Researcher reviewed a number of studies on financial performance of Public Sector Enterprises and Trading Sector of Minerals and Metals which showed that very little work had been conducted in evaluating the financial performance of Minerals and Metals based Trading Companies especially in Indian Public Sector. Most of the studies had been done in other sectors of economy especially regarding their financial performance. No particular study had been made on Minerals and Metals Trading Sector either in public or private sector.

A number of studies have been made on human resource, marketing and production management in public enterprises and also about the causes of poor performance of majority of public enterprises but no study is being done on the financial performance of a public sector trading company of minerals and metals. Hence, in the present study, the Researcher has made an attempt to evaluate the financial performance of one of the major Public Sector Trading Companies of India engaged in export and import of minerals, metals, coal, agro products and other allied goods. The study
related to the evaluation of financial performance of public sector minerals and metals trading company which has not been explored till now. Through this study, the Researcher has attempted to fill the gap of research in this specific area of study.

**Scope of the Research**

This study is based on the analysis of published annual reports of MMTC for the period of twenty two years from 1991-92 to 2012-13. All results and findings are confined to this period only because in this study the Researcher wants to assess the impact of economic reforms on the performance of MMTC. The area of the present study is to evaluate the financial performance of MMTC. Financial performance of the corporation is analyzed in detail which will provide information about efficiency of business, operations and performance of the company especially export-import activity of Minerals and Metals.

The financial performance of MMTC has been evaluated with the help of different accounting, financial tools and techniques. Liquidity, solvency and profitability position have been analyzed using accounting ratios and DuPont technique. Market performance is assessed with the help of Market Value Added (MVA). In order to assess the overall financial performance of the company, common size statements analyses and comparative statements analysis have been taken into consideration. Trade practices i.e. export, import and domestic trade are also analyzed. Value addition in shareholder's wealth considers a very significant indicator for sound financial performance of a company which has been examined through Economic Value Added (EVA).

The present research will provide information regarding financial performance of the company towards other major stakeholders of MMTC. This will lead to the development of industrial and business processes with regards to Minerals and Metals export-import activity in the country. As a public sector corporation of Mineral trading sector, the MMTC plays a significant role in Indian economy. The financial analysis of this corporation will highlight the efficiency of business operations and performance of the company which will be helpful for the stakeholders to enter into the relationship with the company.
Objectives of the Research

The objectives of the present research include an analysis regarding the liquidity, solvency, profitability and patterns of earning with a view to evaluate the role of MMTC in economic development of the country. The researcher has made an attempt to examine in detail the various aspects of its financial performance with a view to identify its strengths, weaknesses, opportunities and threats. The researcher also explores the reasons of bottlenecks and suggests ways and means to overcome financial problems of the Corporation, if any. The key objectives are:

- To evaluate liquidity and solvency position of MMTC.
- To examine its profitability position in terms of sales and investment.
- To analyze business activities of the corporation i.e. export, import and domestic trade.
- To evaluate overall performance of the corporation.
- To assess performance of its shares (price behavior) in the stock market.
- To suggest strategies for improving the financial performance of MMTC.

Hypotheses of the Research

Setting of hypothesis is an indispensable tool of a scientific research. It guides the investigator to examine the facts at micro level and it directs the researcher to move or not to move in particular direction. As regards the formulation of hypothesis, the researcher seeks to make financial performance evaluation of MMTC and decided whether or not the financial performance of the company has resulted into significant acceleration of satisfactory return. The hypotheses of the present research are as follows:

- $H_1$: There is no significant correlation between sales and profit after tax.
- $H_2$: There is no significant impact of sales on shareholders’ fund.
- $H_3$: There is no significant correlation between trade practices and total turnover.
  - $H_{3a}$: There is no significant correlation between import and total turnover.
  - $H_{3b}$: There is no significant correlation between domestic trade and total turnover.
- $H_4$: There is no significant impact of export on total turnover.
- $H_5$: The event of announcement of stock split has no significant impact on the stock price of MMTC.
• H₆: There is no significant impact of Liquidity position on Return on Capital Employed (ROCE)
  o H₆(i): There is no significant impact of current ratio on ROCE.
  o H₆(ii): There is no significant impact of liquid ratio on ROCE.
  o H₆(iii): There is no significant impact of cash position ratio on ROCE.
• H₇: There is no significant impact of Profitability position on ROCE.
  o H₇(i): There is no significant impact of gross profit ratio on ROCE.
  o H₇(ii): There is no significant impact of net profit ratio on ROCE.
  o H₇(iii): There is no significant impact of operating ratio on ROCE.
  o H₇(iv): There is no significant impact of return on net worth on ROCE.
• H₈: There is no significant impact of the Solvency Position on ROCE.
  o H₈(i): There is no significant impact of interest coverage ratio on ROCE.
  o H₈(ii): There is no significant impact of proprietary ratio on ROCE.

Methodology of the Research

This study is primarily based on the secondary data obtained from the Profit & Loss Account and Balance Sheet associated with schedules, annexure available in the published annual reports of MMTC Ltd. since Liberalization. For the purpose of the study, journals, conference proceedings, Government publications, different websites and other relevant documents have also been perused to supplement the data. Relevant data is also collected from Institute of Public Enterprises (IPE), Hyderabad. The collected information and data has been systematically arranged, synthesized, tabulated and analyzed. In order to arrive at conclusions, the different financial and statistical tools have been applied for. In some cases, calculated data are presented in graphs to give the reader a better understanding about the study. This study uses major enterprise activities and comprises sales, cost of goods sold, export, import, domestic trade, shareholder’s equity, expenses, profit and total assets etc.

The time period of twenty two years from 1991-92 to 2012-13 is taken to draw meaningful inferences. Data of last twenty two years are sufficient to have an idea about the financial performance of MMTC because Indian economy experienced major changes during this period. The data was collected from the published annual reports of MMTC Ltd. since 1991-92. Annual reports of the company were taken from its head office in New Delhi as well as Institute of Public Enterprise (IPE).
Hyderabad. Websites of MMTC Ltd. and Bombay Stock Exchange (BSE) have also been used for collecting useful information. The information regarding the performance of the company has also been collected from various news papers, journals, Government reports as well as through internet.

The researcher has taken the financial statements and applied financial tools on available data i.e. common size and comparative statements analysis. Liquidity, profitability and solvency of MMTC analyzed through different accounting ratios accordingly. DuPont Model and Economic Value Added (EVA) and Market Value Added are also used for financial performance evaluation. In next phase, to check the trade performance of the company i.e. export, import and domestic trade have been considered and statistical tools i.e. regression analysis and correlation along with descriptive statistics have been applied. The event study is also employed to measure the impact of stock split announcement on share performance of MMTC in stock market. The financial ratios of MMTC Ltd. were calculated and their graphical presentation was done with the help of MS-Excel. Return on capital employed considers the important parameter in order to check the financial performance of any business concern. The impact of different ratios on return on capital employed of MMTC Ltd. has been measured in order to evaluate the financial performance of this company. The statistical tests were applied for using Statistical Package for the Social Sciences (SPSS).

Summary of the Chapters

Chapter one provides introductory background of the research topic, research methodology along with objectives, hypotheses, scope and significance of the research. In Second chapter, extensive reviews of available literature have been made on Public Sector Enterprises and Financial Performance Evaluation separately. Chapter three discusses about the Public Sector Enterprises in India especially engaged in the business of Minerals and Metals with special focus on MMTC Ltd. Chapter Four serves as a concise discussion on methodology of financial performance evaluation and elaborates different accounting, financial, statistical tools and techniques used to evaluate the financial performance. Fifth chapter is the main part of the thesis and various accounting, financial and statistical tools are used to evaluate the financial performance of the MMTC Ltd. with the help of available data. Chapter six is the concluding part of the study. It presents the findings of the research based on
pre-determined hypotheses. The findings of the study help in suggesting scope and directions for further research. Limitations are always there in a study. This research also has some limitations which have been pointed out in this chapter.

Significance of the Research

It has already been discussed that MMTC is one of the leading international trading companies of India and it plays a significant role in Indian economy. So, it can be judged that large investments blocked in this company undertaken the study for research purpose, making it one of the reasons for present study. The following points will clarify the significance of the study:

• The present study provides information regarding the financial performance of MMTC. If suggestions made in this study are acted upon some meaningful outcome of industrial and business process of MMTC are likely to emerge.

• The financial performance evaluation will give an outcome about the workings and performance of this company which will be helpful for the company itself in order to enhance its performance and business activities.

• A large population of the country, even from housewife to businessman have started to invest their money in share markets. This financial analysis will be helpful to them in making proper decisions while investing their money to buy the shares of this company.

• The suggestions of this study may also be helpful for the Government in making policies regarding foreign trade of the country.

• It is also necessary to find out some important factors which may affect internal decision making of the company. Hence, this research is deemed to be useful for this purpose.

• An analysis has been made on various aspects like liquidity, solvency, profitability and assets utilization. Thus, the relevant information can be used by stakeholders in decision making.

Findings of the Research

The findings are based on in-depth investigation of the research problem and the analysis of the data of MMTC Ltd. The findings are as under:

From the common size balance sheet it has been found that current assets constitute a huge part of total assets. It consists of approximately 93 per cent while the fixed assets
constitute only 7 per cent of total assets during the study period. It is observed that the company has invested a big amount in inventories. The position of current assets was similar throughout the study period while fixed assets of the company have declined. Outside liabilities constitute approximately 77 per cent of total liabilities while shareholder's funds were 23 per cent which also declined over the years.

Comparative Income Statement analysis elaborates that total sales of MMTC Ltd. has increased on a continuous basis in later decade of the study as it was Rs. 8132 crore in 1991-92 which stood at its highest level of Rs. 67052 crore in 2011-12. Profit before tax of MMTC Ltd. shows mixed trend of growth over the study period. It was declined in first decade of the study. Further, it increased in first part of second decade while it became weaker from 2007-08 to 2011-12 due to global recession, high price of commodities that increased labour and transport costs. The same case happens to be with the profit after tax. Cost of sales of the company has increased over the years on a continuous basis similar to total sales of the company. From the comparative balance sheet it has been observed that MMTC Ltd. registered positive growth in current assets during the study period. It jumped from Rs. 4055 crore in 2003-04 to Rs. 11995 crore in 2011-12, shows that the performance of the company is quite satisfactory. The fixed assets are lacking behind the growth of current assets. The value of fixed assets was Rs. 249 crore in 1991-92 which became Rs. 748 crore in 2011-12. The current liabilities of the company have shown a mixed trend of growth over the study period.

MMTC experienced a robust growth in sales in second decade of the study, the sales figures raised by leaps and bounds and the growth in sales was as high as 150 per cent. However, weak gross profit margin, despite of high growth in revenue indicates that the cost of sales for the company is an area of concern which remains marginally lower than the sales figure, thereby weakening the company’s gross profitability. MMTC is a company, which is involved in trading, therefore, though it is successful in maintaining high sales volume in absolute terms, its profit after tax was very low during the study period. From the testing of hypothesis, it has been found that there was a significant relationship between sales and profit after tax of MMTC Ltd during the period under study. From the analysis, it is also cleared that sales had a significant impact on shareholder’s fund of the company.

The cost of sales of MMTC Ltd. is very high during the study period as it constitutes approximately 98 per cent of sales during the study period which is very high and
remaining 2 per cent is the profit which is quite low. It has been found that the company earned very low profit which followed a declining trend over the years. The gross profit of the company was 2.12 per cent in 1999-2000 which diminished to 0.41 per cent in 2011-12. It has been observed that the cost of sales has increased over the years having its direct impact on the profit earning. The reason behind this could be the increasing direct expenses and the purchase of materials on high rate from international markets.

Economic Value Added (EVA) elaborates whether the company has added any value to its shareholders' wealth in a specific period of time. MMTC Ltd. registered a significant growth in terms of value addition to its shareholders’ wealth from 2002-03 to 2012-13. The company showed a low addition in economic value of Rs. 36 crore in 2002-03 causing its board approved a reduction of capital which affects the performance. In 2003, MMTC acquired Rs. 800 deal from Japanese and South Korean companies for the supply of iron ore which ultimately enhance the profitability of the company and it is helpful in registered a significant growth in EVA over the study period. In the same year, the company initiative of joint venture with Odisha Government to start Neelanchal Ispat Nigam Limited has emerged as the second largest exporter of pig iron from the country. The company has added value to shareholders’ wealth during the later period of the study i.e. Rs. 156 crore in 2004-05 to 193 crore in 2009-10. Despite the weak profit margins, company managed to keep its absolute economic value added positive. The reason for this can be traced from the lower weightage average cost of capital and high volume of sales.

The company did not add any value in market price of shares in 2002-03 as it indicated a negative MVA of Rs. 392 crore, but it registered a tremendous growth in value addition of its shares value during the later period of the study viz it was Rs. 65920 crore in 2012-13. It has been judged that the company generated value to the shareholders’ investment through the enhancement of stock performance in share market. On the basis of MVA analysis it can be concluded that share prices enjoyed high price earnings and the share was fairly overvalued for most of the period resulting in high market value addition which was not properly based on the fundamental factors of the company.

Event study highlights the impact of an event on share value of the company. It shows the performance of a company’s share in market before and after the announcement of an event by the company. MMTC Ltd. made an announcement of stock split in July.
2010 and decided to split its share from face value of Rs. 10 to face value of Re. 1 (Swap 10:1) giving an additional bonus share to its shareholders. This event has no significant impact of share performance in market and the shareholder’s of MMTC Ltd. did not earned abnormal profit before and after the announcement.

Short term liquidity position is found satisfactory with an average current ratio of 1.91 and liquid ratio 1.59 respectively. The cash position has a high fluctuation but mean value of 0.55 indicates a satisfactory cash level. Moreover, the excess cash was blocked from 2006 to 2010 when average ratio remained higher than one. Considering the overall liquidity position, it has been found that the company remained in a comfortable position for most of the time during the study period. The result of hypothesis, it has been found that current and cash position ratios have no significant impact on return on capital employed during the study period while a significant impact of liquid ratio found on return on capital employed.

The profitability position has been measured in terms of sales and investment. The profitability position of MMTC Ltd. in terms of sales was not good as its gross profit and net profit avails of a mean value of 1.72 and 0.62 per cent respectively over the study period, while in terms of investment it was comparatively better to sales as return on capital employed and return on net worth were around 4.85 and 9.10 per cent. The results show that the company has a high operating ratio throughout the study period as it avails mean value of 99.00 per cent. It reveals the company is more concerned to its operations rather than profit margins. From the analysis, it is found that there is a significant impact of profitability ratios on return on capital employed.

The result of DuPont analysis reveals that the company managed to offer satisfactory return on equity due to high asset turnover and equity multiplier despite of low profit margin. The performance of the company is quite satisfactory in the context to generate value for shareholder’s wealth.

After analyzing the data, it has been found that the interest coverage and proprietary ratio has a significant impact on return on capital employed of MMTC Ltd during the study period. Proprietary Ratio highlights the proportion of shareholder’s fund and total assets. From the analysis, it has been found that the proprietary ratio is indicating mixed performance trend during the study period. Interest coverage ratio reveals ability of the company to pay interest expenses from earnings. Interest coverage ratio reveals that profits were not comfortably adequate to bear the interest expenses every
year and its mean value remained just marginally higher than one. The interest coverage ratio of MMTC Ltd. shows the fluctuating trend over the study period.

The main activities of the company are export of metals and import of minerals and fertilizers as well as domestic trade of gold, silver and precious stone etc. The main findings of trade practices are as follows:

The export performance of MMTC Ltd was not so good as compared to its import. The company did not focus on export during the study period. It constituted 22 per cent of total turnover in 1991-92 which increased over the years and constitute 37.52 per cent of total trade in 2002-03. Further, it declined and reached to only 10.49 per cent of total turnover in 2012-13. The result of the hypothesis point towards that there is an impact of export on total turnover of the company during the period under study. The main reason behind the low export activity is decreasing demand of Minerals and Metals at international markets. The acceleration in import activities of MMTC Ltd. is to fulfill the domestic needs and export to the third countries. In 2002-03, the export was at its highest level at 37.52 per cent of total turnover. The highest growth in export i.e. 60.29 per cent was registered in 2004-05, while the highest decline was observed in 2011-12 which was 44.63 per cent. The export activity registered a fluctuating cum declining trend during the study period. On the basis of the analysis, it has been found that the MMTC Ltd. paying attention on import during the study period as it shows a large contribution in total turnover. It constitutes 76.90 per cent in 1991-92 which maintained throughout the study period and contributed 92.59 per cent of total turnover in 2011-12. However, from the analyses, it has been found that the import activity of this company played a vital role in the total turnover and company focused on import as compare to other trade practices. The result of the study reveals that there was a significant relationship between import and total turnover of MMTC Ltd during the period under study.

The domestic trade of the company was very low as it constituted only 1.08 per cent in 1991-92. The company opened its outlets, jewellery shops namely Sanchi Silverware and invested heavily on advertisement in local markets and exhibitions. It borne positive results and increased domestic trade activities helpful the company constitutes 15.77 per cent of total turnover in 2012-13. Domestic trade constitutes very low contribution in total turnover during the study period. The company has not focused much on domestic trade as compared to other activities. MMTC Ltd has focused on domestic trade from last few years. From the analysis, it has been found
that there was a relationship between domestic trade and total turnover of the company. The company has opened jewellery shops at metro cities and targeted the local customers through Sanchi Silverware.

Table 1 Summary of Hypotheses

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Null Hypotheses</th>
<th>Research Instrument</th>
<th>p value</th>
<th>Results</th>
<th>Inference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>There is no significant correlation between Sales and Profit after Tax (PAT).</td>
<td>Correlation</td>
<td>0.04</td>
<td>Reject</td>
<td>Significant Correlation</td>
</tr>
<tr>
<td>2.</td>
<td>There is no significant impact of Sales on Shareholder’s Fund.</td>
<td>Regression Analysis</td>
<td>0.00</td>
<td>Reject</td>
<td>Significant Impact</td>
</tr>
<tr>
<td>3.(i)</td>
<td>There is no significant correlation between import and total turnover.</td>
<td>Correlation</td>
<td>0.000</td>
<td>Reject</td>
<td>Significant Correlation</td>
</tr>
<tr>
<td>3.(ii)</td>
<td>There is no significant correlation between domestic trade and total turnover.</td>
<td>Correlation</td>
<td>0.000</td>
<td>Reject</td>
<td>Significant Correlation</td>
</tr>
<tr>
<td>4.</td>
<td>There is no significant impact of export on total turnover.</td>
<td>Regression Analysis</td>
<td>0.001</td>
<td>Reject</td>
<td>Significant Impact</td>
</tr>
<tr>
<td>5.</td>
<td>The event of announcement of stock split has no significant impact on stock prices of MMTCL</td>
<td>Event Study</td>
<td>t-value 0.08</td>
<td>Accept</td>
<td>No significant impact of Announcement</td>
</tr>
<tr>
<td>6.(i)</td>
<td>There is no significant impact of Current Ratio on Return on Capital Employed (ROCE)</td>
<td>Regression Analysis</td>
<td>0.100</td>
<td>Accept</td>
<td>No Significant impact</td>
</tr>
<tr>
<td>6.(ii)</td>
<td>There is no significant impact of Liquid Ratio on ROCE</td>
<td>Regression Analysis</td>
<td>0.044</td>
<td>Reject</td>
<td>Significant impact</td>
</tr>
<tr>
<td>6.(iii)</td>
<td>There is no significant impact of Cash Position Ratio on ROCE</td>
<td>Regression Analysis</td>
<td>0.443</td>
<td>Accept</td>
<td>No Significant impact</td>
</tr>
<tr>
<td>7.(i)</td>
<td>There is no significant impact of Gross Profit Ratio on ROCE</td>
<td>Regression Analysis</td>
<td>0.045</td>
<td>Reject</td>
<td>Significant Impact</td>
</tr>
<tr>
<td>7.(ii)</td>
<td>There is no significant impact of Net Profit Ratio on ROCE</td>
<td>Regression Analysis</td>
<td>0.000</td>
<td>Reject</td>
<td>Significant Impact</td>
</tr>
<tr>
<td>7.(iii)</td>
<td>There is no significant impact of Operating Ratio on ROCE</td>
<td>Regression Analysis</td>
<td>0.012</td>
<td>Reject</td>
<td>Significant Impact</td>
</tr>
<tr>
<td>7.(iv)</td>
<td>There is no significant impact of Return on Net Worth on ROCE</td>
<td>Regression Analysis</td>
<td>0.000</td>
<td>Reject</td>
<td>Significant Impact</td>
</tr>
<tr>
<td>8.(i)</td>
<td>There is no significant impact of Interest Coverage Ratio on ROCE</td>
<td>Regression Analysis</td>
<td>0.009</td>
<td>Reject</td>
<td>Significant Impact</td>
</tr>
<tr>
<td>8.(ii)</td>
<td>There is no significant impact of Proprietary Ratio on ROCE</td>
<td>Regression Analysis</td>
<td>0.006</td>
<td>Reject</td>
<td>Significant Impact</td>
</tr>
</tbody>
</table>
Suggestions

Liberalization and globalization helps in upgrading the mineral sector of India. This sector has proved its hallmark at the global market. MMTC Ltd. has become the world supplier of minerals, metals, fertilizers, coal and hydrocarbon at a competitive cost. Although MMTC Ltd. is performing well in all spheres of its operations, still there is a wide scope for improvement in trade and financial performance of this company. Further improvement can be achieved with the help of successful implementation of following suggestions:

- The company should design its strategies to reduce the cost which will enhance the EVA in substantial manner either through cost cutting or through revenue enhancement.
- MMTC Ltd. should trade a large proportion of its equity base in market to increase its market capitalization and reduce its cost of capital so as to increase shareholder’s wealth.
- The company should follow the policy of disinvestment to increase the stake of private players so as to enhance its managerial potential efficiency and consequently its area of operation may widen.
- The company should acquire the capital at low cost that will yield more positive impact on the book value of shareholder’s fund.
- It has been judged that the liquidity position of MMTC Ltd. is satisfactory, it should be kept up by the company.
- On an average, company is maintaining high cash reserves that can be invested for some alternate avenues so that company can fetch additional return on the idle cash.
- The company should maintain its current liabilities as of now because the proportion of current liabilities to current assets, quick assets and cash is to be favorable for the company’s short term solvency position.
- Profitability of the company is very low. It may be because of higher cost of purchase. Hence, the company should purchase goods on low price or low cost and try to reduce the selling and distribution charges and the company should increase its profit margin by controlling cost of sales, selling, distribution and transportation expenses as well as effective inventory management.
- The company should reduce its loan practices and focus on acquiring equity capital to reduce its interest expenses because of low profit margin.
- The trends of Interest Coverage Ratio (ICR) shows alarming figures which need to be addressed instantly because high interest payments with low profit wipe away the equity base of the company.
- For checking the ICR, company should restructure its capital and pay-off interest bearing debt as soon as possible and work upon improving its profitability so that solvency problem can be avoided in future.
- Proprietary ratio of MMTC declined sharply in last decade, however company tried to replenish its equity base by issuing additional equity in 2010 but it needs further improvements of its equity base by enhancing reserves and fresh equity infusion.
- The company should use less debt as compared to equity in order to improve its solvency position.
- MMTC Ltd. should minimize its direct expenses so as to improve profitability in terms of sales and accelerate trade activities to boost up profitability in order to restore the financial health.
- MMTC Ltd. should focus on international markets in order to improve its business.
- Financial expenses of MMTC Ltd. are higher. In order to overcome this company should reduce loans and create capital from equity.
- The company should increase the trade volume by identifying and exploring new markets of its products at international as well as national level.
- For the fulfillment of domestic needs company should accelerate the import activities.
- Company should search new markets for purchasing economical and best raw material.
- It has been revealed by the analysis that import is main activity of MMTC Ltd. So, it needs to remember that the policies made by the Government should be favorable to import.
- As MMTC Ltd. is the largest non-oil importing company of India, it should enter in oil import for price stability in oil prices and also enhance its trade activities at domestic level.
• The company should open its outlets, shops, showrooms in urban as well as rural areas of the country and also trade activities related to fertilizers and jewellery and other general trade items in rural areas.

• The company should step up to other areas for exports in its current business and to compete globally.

Limitations of the Research

Limitations are always there in any study. This research also has some limitations which have been mentioned as follows:

• The study is purely based on secondary data obtained from the annual financial reports of the company, websites and various published sources. Therefore, findings of the study are subject to accuracy of such data collected from these sources.

• Financial statements are normally prepared on the concept of historical cost. They do not reflect values in terms of current cost. Thus, financial analysis on such financial statements or accounting figures would not portray the effects of price level changes over the period.

• Financial analysis does not depict those facts which cannot be expressed in terms of money, for example, efficiency of workers, reputation and prestige of the management.

• The data taken for analysis covers only a period of 22 years i.e., from 1991-92 to 2012-13. Hence, findings are limited to this period only.

• The researcher is an external evaluator of MMTC Ltd, hence the inside view of MMTC is beyond the purview of researcher.

Directions for Future Research

The present study was devoted to evaluation of financial performance of MMTC Ltd. since liberalization. The Researcher feels that there is always a scope for further researches. For the purpose of study, the largest international trading company of India was selected as a sample. This study is limited only for one Government Trading Company of India but there is still scope for further research in the evaluation of the performance of MMTC Ltd. in comparison to public and private players of the same industry and a comparative analysis would be of great value for academicians.
and policy makers. It is felt that a research programme can be undertaken by adding some other trading companies of same business to deliver deeper into the problem faced by this particular sector. The study may also be undertaken for productivity performance evaluation in the area of marketing, human resource, managerial efficiency etc. A full fledged research programme may also be ventured in different aspects of MMTC Ltd. which are currently supposed backbone of Indian Mineral Trading Sector. The researcher has covered key financial aspects of this corporation. However, there is a wide scope for further studies as well:

- There are a number of State owned corporations engaged in trade of Minerals and Metals. The researcher has taken up only one corporation for the study. So, the future researchers may evaluate the financial performance of similar corporations i.e. STC, NMDC, GMDC etc.
- Since only financial aspect of this corporation has been analyzed, many other aspects such as human resource management, marketing strategies, costing method, managerial decision, inventory management etc can also be studied in future.
- This study is of a limited period of twenty two years i.e. from 1991-92 to 2012-13. Still, financial performance can be evaluated in further periods of time. Thus, this field is always open for further researches.
- The study analyzed financial statements of MMTC through different accounting and financial techniques, which will contribute further to management of the company as well as other concerned parties.
- The study will help to other interested parties and stock holders as better management of financial statements and its analysis will lead to improvement in performance and profitability of the company.
- The study can also be helpful to other similar organizations and enterprises as a whole as well as for analyzing their financial statements and its interpretation through accounting and financial techniques.