RESEARCH PAPER

Financial Performance of a Manufacturing Public Sector Undertakings in Karnataka: A Case Study of The Hutti Gold Mines Co. Ltd.

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Abstract

The present study aims to analyze the financial performance of The Hutti Gold Mines Co. Ltd., a manufacturing public sector undertaking in Karnataka. The study is based on secondary data collected from the published annual reports of the company and evaluates its profitability, liquidity, solvency, and efficiency through financial ratio analysis. The findings reveal that the company maintained sound financial performance, with improvements in profitability, liquidity, solvency, and asset utilization, despite a decline in the Gross Profit Ratio and Inventory Turnover Ratio. The study suggests that effective cost control and inventory management can further strengthen the company's financial performance.

Keywords: Financial Performance, Profitability, Liquidity, Solvency, Efficiency, Manufacturing Public Sector Undertaking, The Hutti Gold Mines Co. Ltd.

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Introduction

The financial performance of a company reflects its efficiency in utilizing resources, generating profits, and maintaining financial stability. Financial ratio analysis is an important tool for evaluating the profitability, liquidity, solvency, and operational efficiency of an organization. The Hutti Gold Mines Co. Ltd., a leading manufacturing public sector undertaking in Karnataka, plays a significant role in the state's mining sector. Therefore, assessing its financial performance provides valuable insights into its financial health and operational effectiveness.

Statement of the Problem

Public sector undertakings play a vital role in economic development; however, their financial performance varies due to operational, managerial, and market-related factors. Evaluating the financial performance of The Hutti Gold Mines Co. Ltd. is essential to understand its strengths and areas requiring improvement. Hence, the present study examines the company's financial performance using key financial ratios.

Objectives:

1. To analyze the profitability, liquidity, solvency, and efficiency of The Hutti Gold Mines Co. Ltd. using financial ratio analysis.
2. To evaluate the financial performance of the company during the study period.
3. To offer suitable suggestions for improving the financial performance of the company.

Scope of the study

The study is confined to analyzing the financial performance of The Hutti Gold Mines Co. Ltd., a manufacturing public sector undertaking in Karnataka. It evaluates the company's profitability, liquidity, solvency, and efficiency using selected financial ratios. The analysis is based on the published financial statements for the period from 2020–21 to 2024–25.

Sources of Data

The study is based entirely on secondary data collected from the published annual reports of The Hutti Gold Mines Co. Ltd. Relevant information has also been gathered from books, journals, government publications, and authentic online sources.

Period of the study

The study covers a period of five financial years from 2020–21 to 2024–25

Limitations of the study

- The study is based solely on secondary data obtained from the published annual reports of the company, and its findings depend on the accuracy of the reported information.

- The analysis is confined to one manufacturing public sector undertaking and a five-year period; therefore, the findings cannot be generalized to all public sector undertakings.

Review of Literature

Maji and Malik (2021) analyzed the financial performance of the Raniganj Coalfield under Eastern Coalfields Limited using financial ratio analysis, Altman's Z-Score Model, and Economic Value Added (EVA). The study found satisfactory profitability, liquidity, and solvency with a low probability of bankruptcy. The authors concluded that financial ratio analysis and Z-Score are effective tools for evaluating the financial health and long-term sustainability of mining enterprises.

Ozbek (2016) examined the efficiency of six gold mining companies listed on Borsa Istanbul during 2008–2015 using the EATWOS method. The findings revealed that KOZAL consistently achieved the highest efficiency, whereas IHMAD recorded the lowest efficiency. The study concluded that EATWOS is an effective tool for evaluating financial efficiency and supporting strategic decision-making in the mining sector.

Bansal, Sinha, and Kaur (2025) analyzed the financial performance of selected metals and mining companies in India using financial ratio analysis. The findings indicated that Coal India outperformed other companies in liquidity and profitability, and concluded that financial ratio analysis is an effective tool for evaluating corporate financial performance.

Financial Performance Analysis

Table 1: Profitability Ratios

Year	**Gross Profit Ratio**	**Net P**	**Operating Profit Ratio**	**Return**	**Return**
2020-21	77	27	29	6	7
2021-22	75	19	20	4	5
2022-23	76	25	28	7	8
2023-24	64	26	24	8	8
2024-25	47	35	40	13	16
Mean	67.8	26.4	28.2	7.6	8.8
S.D	12.76	5.73	7.50	3.36	4.21
CV	18.81	21.69	26.58	44.23	47.81
CAGR (%)	**-11.61%**	**6.70%**	**8.37%**	**21.32%**	**22.96%**

(Source: Computed from Audited Annual Reports)

Table 1 Shows the profitability performance of **The Hutti Gold Mines Co. Ltd.** during the period **2020–21 to 2024–25** shows mixed trends across different profitability indicators.

- The Gross Profit Ratio declined steadily from 77% in 2020–21 to 47% in 2024–25, recording a negative CAGR of 11.61%. This indicates a gradual reduction in gross profitability, possibly due to increasing production costs or declining gross margins, although the company continued to maintain a satisfactory level of gross profit.
- The Net Profit Ratio showed fluctuations during the study period, decreasing initially before improving to 35% in 2024–25. It registered a positive CAGR of 6.70%, reflecting better control over operating and non-operating expenses and an overall improvement in net profitability.
- The Operating Profit Ratio declined in the initial years but increased significantly to 40% in 2024–25, recording a CAGR of 8.37%. This indicates enhanced operational efficiency and better management of core business activities in the later years.
- The Return on Assets (ROA) improved consistently from 6% to 13%, achieving a CAGR of 21.32%. The steady growth suggests that the company became increasingly efficient in utilizing its total assets to generate profits.
- The Return on Capital Employed (ROCE) increased from 7% to 16%, registering the highest CAGR of 22.96% among all profitability ratios. This reflects a significant improvement in the company's ability to utilize long-term capital effectively for generating returns.

Overall, despite the declining trend in the Gross Profit Ratio, the positive CAGR and improving performance of the Net Profit Ratio, Operating Profit Ratio, ROA, and ROCE indicate that The Hutti Gold Mines Co. Ltd. strengthened its overall profitability, operational efficiency, and effective utilization of assets and capital during the study period.

Table 2: Liquidity Ratios

Year	Current Ratio	Cash Position Ratio	Quick Ratio	Inventory to Working Capital Ratio	Current Asset
2020-21	5.22	4.78	3.47	0.41	0.34
2021-22	4.68	3.45	3.9	0.21	0.35
2022-23	5.97	4.44	4.92	0.21	0.38
2023-24	4.75	3.43	3.93	0.22	0.4
2024-25	4.91	3.83	4.27	0.16	0.49
Mean	5.11	3.99	4.10	0.24	0.39
S. D	0.53	0.60	0.54	0.10	0.06
C V	0.10	0.15	0.13	0.40	0.15
CAGR (%)	**-1.52 %**	**-5.39 %**	**5.32%**	**-20.96%**	**9.57%**

(Source: Computed from Audited Annual Reports)

Table 2 presents the liquidity performance of The Hutti Gold Mines Co. Ltd. during the period 2020–21 to 2024–25. The analysis reveals mixed trends across different liquidity ratios, reflecting the company's overall ability to meet its short-term financial obligations.

- The Current Ratio declined marginally from 5.22 in 2020–21 to 4.91 in 2024–25, recording a negative CAGR of 1.52%. Despite the slight decline, the ratio remained well above the standard benchmark of 2:1 throughout the study period, indicating a strong ability to meet short-term obligations.
- The Cash Position Ratio decreased from 4.78 to 3.83, registering a negative CAGR of 5.41%. Although the company experienced a gradual decline in immediate liquidity, it continued to maintain a comfortable cash position for meeting current liabilities.
- The Quick Ratio improved from 3.47 to 4.27, with a positive CAGR of 5.31%. The increasing trend indicates an enhancement in the company's liquid asset base, reflecting stronger short-term solvency without relying on inventory.
- The Inventory to Working Capital Ratio declined significantly from 0.41 to 0.16, recording a negative CAGR of 20.95%. The reduction suggests a lower proportion of working capital being tied up in inventory, indicating improved inventory management and greater liquidity.
- The Current Asset to Total Asset Ratio increased steadily from 0.34 to 0.49, achieving a positive CAGR of 9.54%. This reflects a growing proportion of current assets in the company's total asset structure, strengthening its liquidity position.

Overall, the liquidity position of The Hutti Gold Mines Co. Ltd. remained strong throughout the study period. Although the Current Ratio and Cash Position Ratio recorded marginal negative growth, the improvement in the Quick Ratio and Current Asset to Total Asset Ratio, along with the decline in the Inventory to Working Capital Ratio, indicates better management of liquid resources and an overall strengthening of short-term financial stability.

Table 3: Solvency Ratios

Year	Proprietor Ratio	Fixed Asset Net worth Ratio	Net worth to Total Liability Ratio	Self-Financing Ratio
2020-21	0.91	0.5	9.88	0.91
2021-22	0.92	0.55	11.85	0.92
2022-23	0.92	0.53	12.01	0.92
2023-24	0.89	0.49	8.14	0.89
2024-25	0.88	0.46	7.34	0.88
Mean	0.90	0.51	9.84	0.90
S. D	0.02	0.04	2.11	0.02
C V	0.02	0.07	0.21	0.02
CAGR (%)	**-0.83%**	**-2.06%**	**-7.16%**	**-0.83%**

(Source: Computed from Audited Annual Reports)

Table 3 presents the solvency ratios of The Hutti Gold Mines Co. Ltd. for the period 2020–21 to 2024–25. The analysis indicates that the company maintained a sound long-term financial position throughout the study period, although mixed trends were observed across the solvency indicators.

- The Proprietor Ratio declined marginally from 0.91 in 2020–21 to 0.88 in 2024–25, recording a negative CAGR of 0.83%. Despite the slight decline, the ratio remained consistently high, indicating that a substantial proportion of the company's assets continued to be financed through shareholders' funds.
- The Fixed Asset to Net Worth Ratio decreased from 0.50 to 0.46, registering a negative CAGR of 2.06%. The decline suggests a lower proportion of shareholders' funds invested in fixed assets, reflecting a conservative long-term financing policy.
- The Net Worth to Total Liability Ratio increased initially to 12.01 in 2022–23 but declined thereafter to 7.34 in 2024–25, recording a negative CAGR of 7.16%. Although the ratio declined in the later years, it remained at a healthy level, indicating adequate net worth to cover total liabilities.
- The Self-Financing Ratio decreased slightly from 0.91 to 0.88, recording a negative CAGR of 0.83%. The consistently high ratio indicates that the company continued to rely predominantly on internal funds for financing its assets.

Overall, The Hutti Gold Mines Co. Ltd. maintained a strong solvency position during the study period. Although all solvency ratios recorded marginal negative CAGR values, the consistently high ratio levels indicate sound long-term financial stability, low dependence on external borrowings, and a strong equity base capable of supporting the company's operations.

Table 4: Efficiency Ratios

Year	**Total Asset**	**Fixed Assets to Turnover Ratio**	**Current Asset**	**Working capital to Turnover Ratio**	**Inventory Turnover Ratio**
2020-21	0.23	0.51	0.68	0.84	0.14
2021-22	0.22	0.43	0.62	0.79	0.19
2022-23	0.27	0.56	0.72	0.87	0.35
2023-24	0.3	0.69	0.75	0.95	0.06
2024-25	0.37	0.91	0.75	0.94	0.05
Mean	0.278	0.62	0.704	0.878	0.158
S. D	0.06	0.19	0.06	0.07	0.12
C V	0.22	0.30	0.08	0.08	0.77
CAGR (%)	**12.62 %**	**15.58 %**	**2.48%**	**2.85%**	**-22.69%**

(Source: Computed from Audited Annual Reports)

Table 4 presents the efficiency ratios of The Hutti Gold Mines Co. Ltd. for the period 2020–21 to 2024–25. The analysis indicates an overall improvement in the company's efficiency in utilizing its assets and working capital, although mixed trends were observed across different efficiency indicators.

- The Total Asset Turnover Ratio increased from 0.23 in 2020–21 to 0.37 in 2024–25, recording a CAGR of 12.62%. This indicates improved efficiency in utilizing total assets to generate revenue over the study period.
- The Fixed Asset Turnover Ratio increased significantly from 0.51 to 0.91, registering the highest positive CAGR of 15.58%. The improvement reflects more effective utilization of fixed assets in generating sales.
- The Current Asset Turnover Ratio improved marginally from 0.68 to 0.75, recording a CAGR of 2.48%. This suggests a gradual enhancement in the utilization of current assets for revenue generation.
- The Working Capital Turnover Ratio increased from 0.84 to 0.94, registering a CAGR of 2.85%. The positive growth indicates better management and utilization of working capital in supporting business operations.
- The Inventory Turnover Ratio declined from 0.14 to 0.05, recording a negative CAGR of 22.69%. This decline indicates slower inventory movement and relatively lower efficiency in inventory management during the study period.

Overall, despite the decline in the Inventory Turnover Ratio, the positive CAGR recorded by the Total Asset Turnover Ratio, Fixed Asset Turnover Ratio, Current Asset Turnover Ratio, and Working Capital Turnover Ratio indicates that The Hutti Gold Mines Co. Ltd. improved its overall operational efficiency and asset utilization during the study period.

Data Visualization

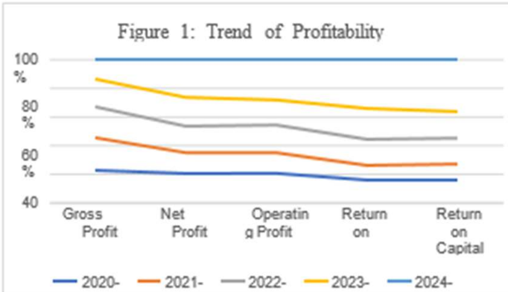

Figure 1: Trend Analysis of Profitability Ratios of The Hutti Gold Mines Co. Ltd. (2020–21 to 2024–25)

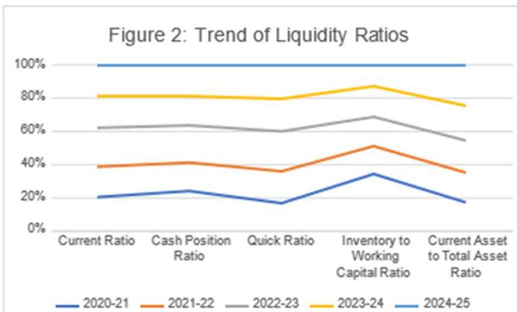

Figure 2: Trend Analysis of Liquidity Ratios of The Hutti Gold Mines Co. Ltd. (2020–21 to 2024–25)

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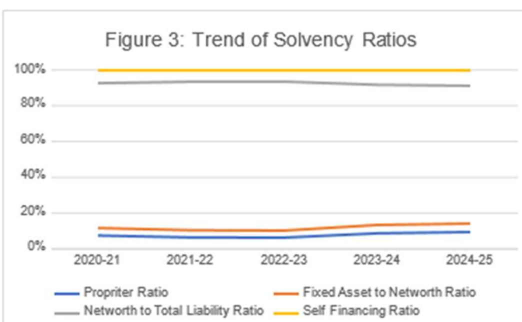

Figure 3: Trend Analysis of Liquidity Ratios of The Hutti Gold Mines Co. Ltd. (2020–21 to 2024–25)

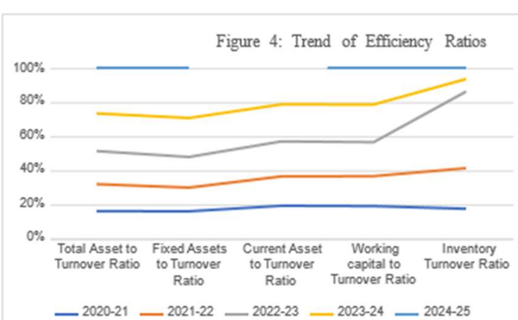

Figure 4: Trend Analysis of Efficiency Ratios of The Hutti Gold Mines Co. Ltd. (2020–21 to 2024–25)

Findings:

1. The Gross Profit Ratio declined from 77% to 47%, recording a negative CAGR of 11.61%, indicating a gradual reduction in gross profitability over the study period.
2. The Net Profit Ratio, Operating Profit Ratio, Return on Assets (ROA), and Return on Capital Employed (ROCE) registered positive CAGR values of 6.70%, 8.37%, 21.32%, and 22.96%, respectively, reflecting significant improvements in overall profitability and efficient utilization of assets and capital.
3. The company maintained a strong liquidity position, with the Current Ratio remaining above the standard benchmark throughout the study period, despite a marginal negative CAGR of 1.52%.
4. The Quick Ratio and Current Asset to Total Asset Ratio recorded positive CAGR values of 5.32% and 9.57%, respectively, indicating an improvement in the company's short-term solvency and liquid asset management.
5. The Inventory to Working Capital Ratio declined substantially, recording a negative CAGR of 20.96%, suggesting better inventory management and reduced investment of working capital in inventories.
6. The company exhibited strong long-term financial stability, as reflected by consistently high Proprietor Ratio and Self-Financing Ratio, despite marginal negative CAGR values, indicating low dependence on external borrowings.
7. The Total Asset Turnover Ratio, Fixed Asset Turnover Ratio, Current Asset Turnover Ratio, and Working Capital Turnover Ratio recorded positive CAGR values of

12.62%, 15.58%, 2.48%, and 2.85%, respectively, demonstrating improved efficiency in utilizing assets and working capital.

8. The Inventory Turnover Ratio declined significantly, with a negative CAGR of 22.69%, indicating slower inventory movement and relatively lower efficiency in inventory utilization during the study period.

Suggestions:

The company should focus on improving its gross profit margin by adopting effective cost control measures, optimizing production processes, and reducing operational inefficiencies. This would help strengthen overall profitability and enhance financial performance. And the company has maintained a strong liquidity position; it should ensure the optimum utilization of its excess cash and current assets. Efficient management of liquid resources can improve returns while maintaining adequate funds to meet short-term obligations.

The declining inventory turnover ratio indicates the need for better inventory planning and control. Adopting modern inventory management practices can reduce carrying costs, prevent excess stock accumulation, and improve inventory movement. The company should continue its efforts to enhance the utilization of fixed assets and total assets through technological upgradation, capacity optimization, and efficient resource allocation. This would further improve operational efficiency and revenue generation. The company should maintain its strong solvency position by preserving a healthy equity base and following a prudent financing policy. Continued reliance on internal funds and careful management of long-term liabilities will support sustainable growth and long-term financial stability.

Conclusion:

The analysis of **The Hutti Gold Mines Co. Ltd.** for the period **2020–21 to 2024–25** indicates that the company maintained a strong financial position with improvements in profitability, liquidity, solvency, and operational efficiency. While the Gross Profit Ratio and Inventory Turnover Ratio showed declining trends, the positive growth in net profitability, returns on assets and capital employed, and asset utilization reflects effective financial and operational management. Overall, the company exhibited sound financial stability and efficient resource utilization, indicating its ability to sustain long-term growth and financial performance.

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