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Financial Performance Comparison Pre And Post Disinvestment Of Mishra Dhatu Nigam Ltd.- An Empirical Study

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Abstract:

Purpose: The purpose of the study is to represent an attempt to empirically capture the impact of disinvestment on the financial and operating performance of Mishra Dhatu Nigam Ltd. listed central public sector enterprises in India which got divested through stock market mechanism.

Design/methodology: The study is the descriptive study and based on the secondary data. Through ratio analysis different ratios such as profitability ratios, efficiency ratios, solvency ratio and liquidity ratios have been computed. Five years pre-and five years post-disinvestment financial performance of the firms during 2013 to 2022 is examined through mean value and paired t-test.

Findings: The financial performance of MIDHANI is compared in four terms of ratio, which are, profitability ratio, efficiency ratio, liquidity ratio and solvency ratio. The descriptive statistics mean value, standard deviation and paired T-test shows that there is no significant improvement in the financial ratios post-disinvestment. Only three ratios that is return on equity, earning per share and debt/equity ratio shows positive effect after disinvestment. The decline in the return on capital employed ratio and return on asset ratio indicate the firm is not utilizing its capital efficiently. The results reveal that there is improvement in debt/equity ratio which means the equity of company shareholder is bigger and it does not require any money to finance its business and operation to growth.

Originality/Value: This study will be helpful for researcher seeking information on impact of disinvestment on PSU Mishra Dhatu Nigam Ltd.

Keywords: PSU, Disinvestment, IPO, MIDHANI, Financial performance, profitability ratios, efficiency ratios, liquidity ratio, solvency ratio

Introduction:

Disinvestment is the policy of Indian Government in which the government liquidates its asset from Public Sector Undertakings fully or partially. The decision to disinvest is mainly to reduce the fiscal burden and bridge the revenue shortfall of the government. During the 1991 financial crisis when the gross fiscal deficit of the central government reached 8.4 per cent of the GDP, the annual rate of inflation peaked at 17 per cent (1990-1991) while the external debt rose from 12 per cent of GDP in 1980-81 to 23 per cent of GDP in 1990-91; and India's foreign exchange reserves were barely adequate for two weeks import. In July 1991, the new economic policies were initiated which clearly indicates that PSUs have shown a very negative rate of return on capital employed. The inefficient PSUs have become a burden or liability to the government than being asset, and these inefficient PSUs had adversely affected the national gross domestic products and gross national savings. There were various factors responsible for the low efficiency in the PSU's which were identified as particularly important: 1) Low capital utilization 2) Reduced productivity 3) Failure to innovate 4) Complex decision process 5) Lack of autonomy and 6) Problem of labour personnel and management.

Hence the need arose for the government to get rid of these problems and to concentrate on its core activities. Finally, the step of disinvestment was seen by the government to raise the fund for meeting specific needs and to improve the efficiency of PSUs In this direction government adopted disinvestment policy and the main objectives behind the disinvestment policy were outlined to 1) reduce the financial burden, 2) to reduce the fiscal burden, 3) to introduce competition and market discipline, 4) to improve public finances and 5) to maintain transparency in the process and 6) to encourage wider share of ownership.

Thus, disinvestments in India have been practiced, largely by transferring a limited extent of equity to a private entity and not by carrying out a complete transfer of ownership of the PSUs. Thus, some researchers have used the term ''partial privatization'' as a better fit for such a transaction. In the book of Dr. Sudhir Naib titled Disinvestment in India: Policies, Procedures, Practices writes, "the government has gradually moved from disinvestments to privatization. Further, through his research, the he has found that, whenever there was a transfer of ownership in any PSEs' to private entities through disinvestment, the economic efficiency of the relevant enterprise was improved. Similarly, in the book of Harjit Singh titled Corporate Restructuring through Disinvestment (An Indian perspective) writes; the performance of the PSU's did not increase considerably post minority disinvestment, since the managerial control of the company continued to be the same. Hence, the author notes: it is not the size of the disinvestment that improves efficiency, but the change in leadership of the company and other market driving factors like innovation, technology, administrative intervention which affects the economic efficiency.

Considering all the factors this study will help to understand, does the Indian government really able to achieve disinvestment objectives, the study will include the comparison of the financial performance of the Mishra Dhatu Nigam Ltd., pre and post initial public offering.

Literature Review:

Before setting the objectives of a study it is important to review the existing literature on the same issue connected with the study and to ascertain the research gaps. The paragraphs given below in this section presents a brief description of some of the notable studies carried out in the recent past in India on the topic addressed in the present study and the last paragraph in this section deals with the identification of the research gaps.

1. (Sudipta Ghosh & P. S. Aithal, Jan 24, 2022) in the research study titled "Impact Assessment of Investment Returns in Indian CPSEs: A Study at Aggregate Level in the Disinvestment Environment" Researcher examined the trends in aggregate financial investment, the growth rates of the different components of

aggregate investment returns and the behaviour of investment returns on the basis of selected ratios. Researcher focusses on the investment returns (ROA, ROE and ROCE) of the CPSEs in the disinvestment environment during the period 2010-11 to 2019-20. Research found that aggregate financial investments have significantly increased. Though significant increase in financial investment is observed during the years under study, impact of investment returns in the disinvestment environment is observed to be negative i.e., it indicates that investment returns (particularly ROCE and ROE) of the CPSEs at aggregate level have decreased significantly during the study period.

2. (Dhriti G. Jani, March 2022), in the research study titled “A Detailed Study of Financial Performance of Coal India Limited Post Disinvestment Using Dupont Analysis”. The objective of this paper was to evaluate and analyze financial performance of Coal India Limited after disinvestment during the period from 2011-12 to 2019-20 using three step & five step DuPont model and assets utilization. The results shows that there is decrease in the efficiency which indicates the inefficient use of assets.

3. (Priya Mandiratta, G. S. Bhalla, Oct. 22, 2021), in the research study titled “Disinvestment in Indian central public sector enterprises: a performance improvement measure”, The purpose of this study was to represent an attempt to empirically capture the impact of disinvestment on the financial and operating performance of 26 Bombay Stock Exchange (BSE) listed central public sector enterprises. The overall results of the study indicate statistically significant fall in profitability ratios. The empirical results have not witnessed positive effect of disinvestment on the profitability of the CPSEs; rather, this effect has found to be negative. The possible reasons behind these negative results could be poor pre disinvestment financial health of CPSEs, negative rate of return on capital employed by PSEs and inefficiency which need to be tested empirically by future researchers.

4. (I. Chhabra, S. Gupta, V. K. Gupta, 2021), in the research study titled “State Ownership and Firm Performance: A Performance Evaluation of Disinvested Public Sector Enterprises”, The main objective of the research was to examine the financial and operating performance of 32 CPSEs in India. The study considered the sample of these disinvested PSEs that have got

disinvested after 2000. The result shows that profitability has not brought significantly much improvement post disinvestment. But productivity of employees and dividend pay-out ratio has improved.

5. (Dr. Neshat Anjum, May 2020), in the research study titled "Financial Performance Appraisal of Steel Authority of India (Sail) –A Maharatna Company Using Accounting Ratios", Objectives of the study was to evaluate financial performance of SAIL with respect to liquidity, solvency, expenses and turnover. Present study covers financial performance of SAIL during the study period 2004-05 to 2015-16. The major findings are a. A fall of 52% has been observed in Current Ratio of SAIL from 2004 to 2015. A very low Current Ratio is indicative of the fact that the company may be indulged in over trading and this may further result into shortage of sufficient working capital. b. Working Capital Turnover ratio are comparatively low and it reveals that SAIL was unable to utilize its working Capital effectively. c. It was concluded that overall Profitability of SAIL was not so promising because from 2007-08 onwards, in the time span 9 years, SAIL has recorded a fall 85% in ROCE till end of 2014-15. Companies with negative ROCE have a highly Negative working capital which exceeds the size of their Net fixed assets.

6. (S. Sugyanya, Dec 2019), in the research titled "A Study on Financial Performance Pre and Post Disinvestment Period – An Empirical Analysis", researcher analysed the impact of disinvestment on the operating performance of ONGC Ltd., and examined the impact of disinvestment on the financial performance of ONGC Ltd., in terms of financial strength and corporate liquidity. Scope of the study is limited to only ONGC Ltd. The findings shows that the operating performance of the ONGC has been decline during the post disinvestment period. Whereas there is improvement in debt-to-equity ratio.

7. (Dr. Megha Narang, Jan 2018), in the research article titled "Pre and post disinvestment analysis: A case of national thermal power corporation (NTPC)", The methodology of research is based upon case study method. In the study performance of NTPC ltd. before disinvestment is compared with its performance after disinvestment, attributing any observed change to the disinvestment. For the purpose of the present study pre-

disinvestment mean value of various financial parameters for financial years (2004-05 to 2008-09) is compared with their post disinvestment mean value for financial years (2011-12 to 2015-16) NTPC. Result shows that disinvestment improves the profitability and liquidity position of NTPC while it has affected the efficiency position negatively.

8. (Moumita Roy, Dr. Debdas Rakshit and Dr. Seikh Salim, 2018), in the research article titled “FINANCIAL PERFORMENCE OF SELECTED PSUS: AN EMPERICAL STUDY”, The main objectves of the study was to analyze the financial performance of some divested companies, to measure the relationship among profitability and efficiency of the PSUs and to examine the joint influence of the selected ratios relating to asset management on the profitability. Researcher selected the 16 PSUs out of the 61 divested PSUs during the period 1990-91 to 2015-16. The findings shows that there is negative association between profitability and cash turnover ratio, positive association has been observed between debtor turnover ratio & profitability and fixed asset turnover ratio & profitability.

9. (Debasish Sur and Kaushik Chakraborty, July 2015), in the research article titled “Financial performance of Maharatna central public sector enterprises in India: A case study of BHEL” The main objective of the study was to measure the financial performance of the company and to identify the factors which made significant contribution towards enhancing the value generating capability of the company. The net outcome derived from both the partial correlation analysis and multiple regression analysis as carried out in this study reflects that the working capital management of BHEL made a noticeable contribution towards enhancing its value generating capability during the study period while the company’s fixed asset management failed to establish itself as a significant contributor of its wealth generation in the same period.

Since lot of study has done on this topic, researchers approach to the literature review is to find out newest study first and go back year wise. Researchers have considered various factors of disinvestment but the present study is pertaining to only financial performance of the public sector enterprises post disinvestment. From the discussion it is revealed that some studies were conducted on the analysis of financial performance of Indian public sector enterprises in the recent past. These studies were mainly concerned with the financial performance of the CPSEs during the post-disinvestment period. However, the end results derived from these studies were contradictory in nature and therefore, the studies failed to provide any definite conclusion. Further, no comprehensive study was carried out to deal with the matter relating to the financial performance of the MIDHANI in the recent times considering the major dimensions of financial performance. Only a very few studies on the issue were conducted in the recent past in which any one or two dimensions of financial performance were taken into consideration. In order to bridge the gap, the present study was made in which the impact of disinvestment on the major dimensions of financial performance of MIDHANI was analysed.

Objectives of the Study:

The present study makes an analysis of financial performance of MIDHANI for the period 2012/20013 to 2021/2022. More specifically, the objectives are:

1. To compare the financial performance of MIDHANI pre and post disinvestment.

2. To study the impact of disinvestment on the financial performance of MIDHANI in terms of profitability and operating efficiency

Hypothesis:

H1: There is a significant improvement in the financial performance of MIDHANI post disinvestment.

H0: There is no significant improvement in the financial performance of MIDHANI post disinvestment.

Methodology of the research:

The data of MIDHANI for the period 2013 to 2022 used in the study were collected from secondary sources, i.e., published financial statements of the company. The five-year pre disinvestment data and 5 years post disinvestment data used to analyse and year 2018 is considered as the base year. While analysing financial performance of the company, four dimensions of financial performance, such as liquidity, profitability, efficiency of asset management and value generating capability were taken into consideration. Five profitability ratios i.e., return on capital employed, return on equity, return on asset, earning per share and dividend payout ratio. Two efficiency ratios i.e., asset turnover ratio, inventory turnover ratio. Two liquidity ratios i.e., current ratio and quick ratio and two solvency ratios i.e., debt to equity ratio and interest coverage ratio considered under the study. For the comparison of the ratios pre and post disinvestment statistical tool t-test is used to test the significance of the variations in the values of the variable.

Data Analysis, interpretation and Findings:

Mishra Dhatu Nigam Limited, is a specialized metals and metal alloys manufacturing facility in India, located in Hyderabad, Telangana. It is a Public Sector Undertaking, under the administrative control of Department of Defence Production, Ministry of Defence and Government of India. MIDHANI specializes in manufacturing a wide range of superalloys, titanium, special purpose steels and other special metals and alloys meeting stringent international standards for application in aerospace, defence, atomic energy, power generation, chemical and various other high technology industries. Mishra Dhatu Nigam IPO was opened on March 21, 2018, and closes on March 23, 2018. The main objectives behind the IPO were to carry out the disinvestment of 46,835,000 Equity Shares by the Selling Shareholder constituting 25% of Company's Pre-Offer paid up Equity Share capital; and to achieve the benefits of listing the Equity Shares on the Stock Exchanges. The following table and chart show the revenue in Cr. during the study period.

	Pre					Post				
Year	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Total Revenue	573.75	575.56	670.06	745.5	796.66	690.89	747.74	749.31	833.06	890.8

Table 1: Revenue

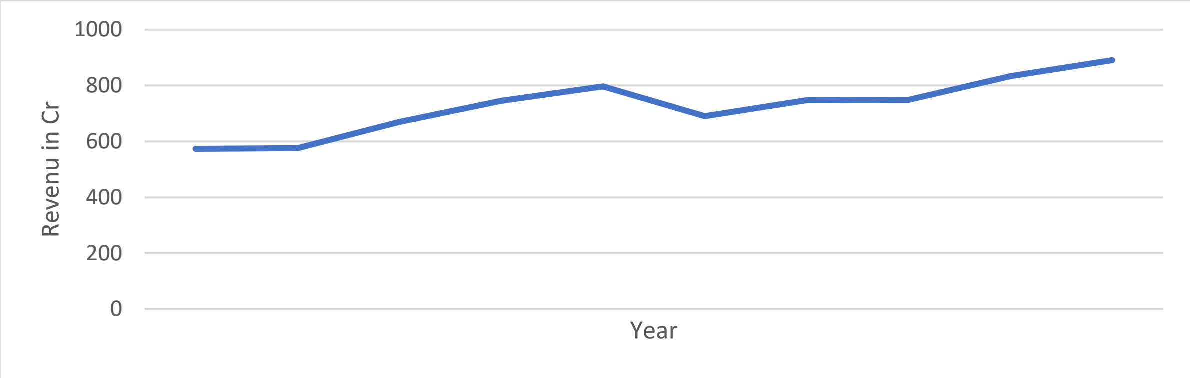

Figure 1: Revenue Chart

An attempt of this article has been made to study the effect of disinvestment on the financial performance of MIDHANI by comparing major keys ratios pre and post IPO.

		Pre					Post				
	Years / Ratio	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Profitability Ratios											
1	Return on capital employed	16.29	18.04	19.85	20.34	22.39	21.31	15.28	12.22	13.09	13.17
2	Return on equity	20.28	18.52	18.36	19.26	17.93	16.63	15.64	16.66	15.5	14.8
3	Return on asset	5.96	6.1	8.52	10.64	11.47	9.61	7.15	6.66	6.75	6.34
4	EPS	4.4	4.4	5.29	6.37	6.74	7.01	6.97	8.53	8.88	9.41
5	Divident Payout Ratio	45.4	45.43	33.75	28.03	28.03	28.86	54.24	17.7	31.09	33.36
Efficiency Ratios											
1	Asset Turnover Ratio	40.05	41.07	55.66	63.92	70.23	48.46	38.95	29.72	33.04	33
2	Inventory Turnover Ratio	1.15	1.22	1.53	2.48	3.75	2.74	1.4	0.78	1.02	0.34
Liquidity Ratios											
1	Current Ratio	1.9	1.67	1.88	2.57	2.93	2.04	2.18	2.17	2.26	2.09
2	Quick Ratio	1.12	0.99	0.94	1.62	2.1	1.47	1.23	0.87	1.01	0.73
Solvency Ratio											
1	Debt/Equity Ratio	3.33	4.08	2.47	1.45	0.17	0.11	0.06	0.01	0	2.33
2	Interest Coverage Ratio	18.21	29.33	20.02	39.66	40.85	23.41	31.02	35.16	19.85	13.66

Table 2: Keys ratios 5 years pre and 5 years post disinvestment

Ratios		Mean		Paired Differences					t-value	Sig. (2-tailed)
				Mean	Std. Deviation	Std. error mean	95% Confidence Interval of the Difference			
Profitability Ratios		Pre	Post				Lower	Upper		
1	Return on capital employed	19.382	15.014	4.368	5.771	2.581	-2.797	11.533	1.693	0.166
2	Return on equity	18.870	15.846	3.024	0.824	0.369	2.000	4.048	8.202	0.001
3	Return on asset	8.538	7.302	1.236	3.595	1.608	-3.228	5.700	0.769	0.485
4	EPS	5.440	8.160	-2.720	0.296	0.133	-3.088	-2.352	-20.514	0.000
5	Divident Payout Ratio	36.128	33.050	3.078	12.239	5.474	-12.119	18.275	0.562	0.604
Efficiency Ratios										
1	Asset Turnover Ratio	54.186	30.100	17.552	19.668	8.796	-6.870	41.974	1.995	0.117
2	Inventory Turnover Ratio	2.026	1.256	0.768	1.862	0.833	-1.544	3.080	0.922	0.409
Liquidity Ratios										
1	Current Ratio	2.190	2.148	0.042	0.538	0.240	-0.626	0.710	0.175	0.870
2	Quick Ratio	1.354	1.062	0.292	0.708	0.317	-0.588	1.172	0.922	0.409
Solvency Ratio										
1	Debt/Equity Ratio	2.300	0.502	4.994	17.791	7.957	-17.097	27.085	0.628	0.564
2	Interest Coverage Ratio	29.614	24.620	1.798	2.408	1.077	-1.191	4.787	1.670	0.170

Table 3: Summary of Paired t-test

Interpretation:

Financial Ratios of MIDHANI (Mishra Dhatu Nigam Ltd.) are represented in four terms of ratios profitability ratio, efficiency ratio, liquidity ratio and solvency ratio.

1. Profitability Ratio:

Profitability ratios assess a company's ability to earn profits from its sales or operations, balance sheet assets, or shareholders' equity, indicate how efficiently a company generates profit and value for shareholders. Higher profitability ratio results are often more favourable, but these ratios provide much more information when compared to results of similar companies, the company's own historical performance, or the industry average.

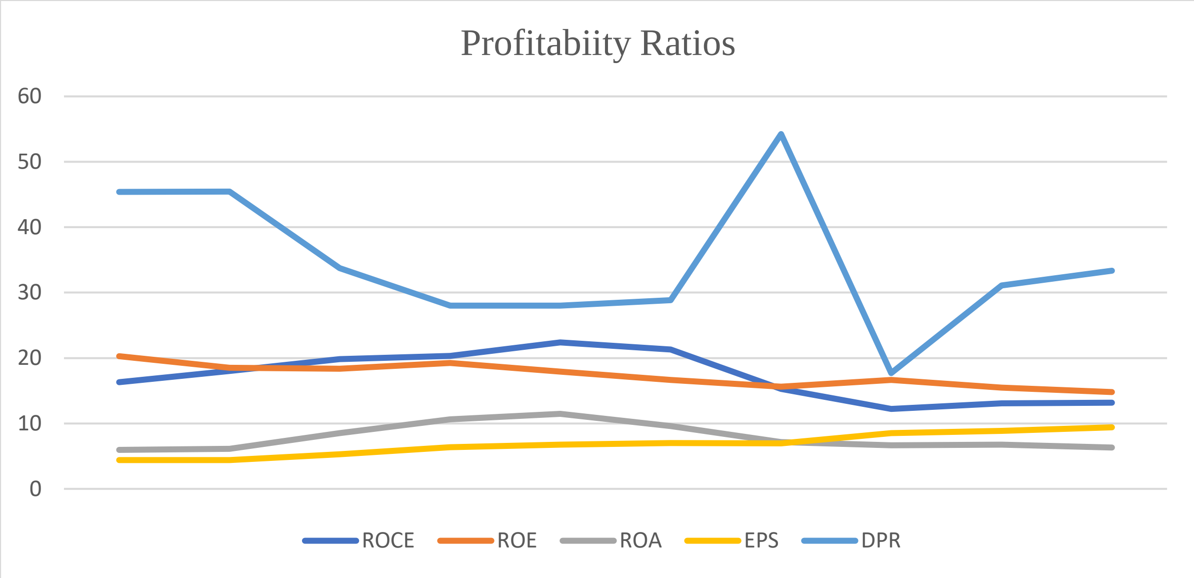

Figure: 2

In the table no. 2, the value of profitability ratios in term of return on capital employed, return on equity, return on asset, earning per share and dividend playout ratios five-year pre disinvestment i.e., from 2013 to 2017 and five-year post disinvestment i.e., from 2018 to 2022 are given. And in table no. 3 the comparison of the ratio is done by statistical tool paired t-test.

It is noticed from the above tables that there is no significant improvement in return on capital employed, return on asset and dividend pay-out ratios. The decline in the ratios post disinvestment a company is not using its capital efficiently and is not generating a high return on the investment. The decline in the dividend pay-out ratio may be the reinvestment the bulk of its earnings into expanding operations, debt reduction or poor earning. The p-value in the analysis of the ratio return on capital employed, return on asset and dividend pay-out ratio shows that here the alternative hypothesis rejected, there is no significant improvement in the ratios post disinvestment. But the p-value in the table no. 3 in terms of return on equity and earning per share shows that there is significant improvement in these ratios post disinvestment.

2. Efficiency ratio:

Efficiency ratios are metrics that are used in analysing a company's ability to effectively employ its resources, such as capital and assets, to produce income. The efficiency ratios serve as a comparison of expenses made to revenues generated, essentially reflecting what kind of return in revenue or profit a company can make from the amount it spends to operate its business.

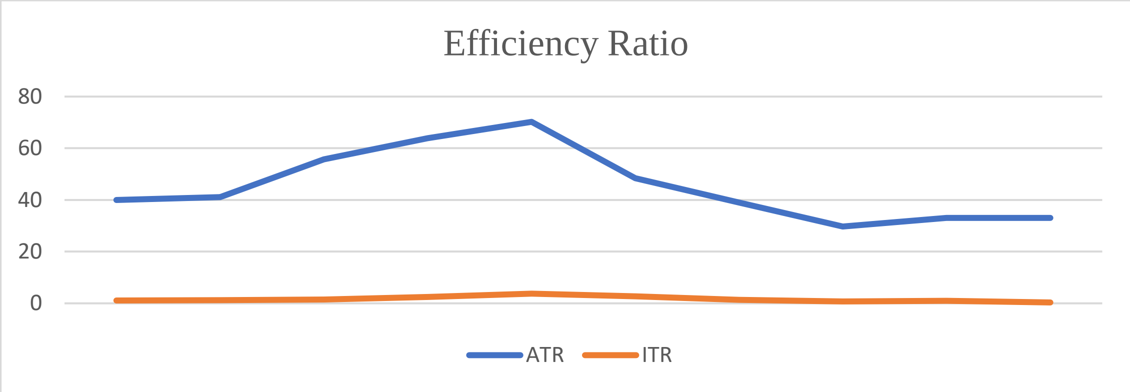

Figure: 3

The total asset turnover ratio measures the potential and capability of a company to use its total assets efficiently and effectively in order to generate the sales. Higher ratio implies better and strong ability of the firm to generate sales out of its total assets. It was at peak in 2017 but post disinvestment of MIDHANI it was declined continuously throughout the study. The p-value of the asset turnover ratio rejects the null hypothesis, it means there is no significant improvement in the total asset turnover ratio post disinvestment of MIDHANI. In conclusion we can say that MIDHANI was unable to utilize its total assets efficiently in generating sales. There is a need of proper assets management policy in order to ensure optimal total assets turnover ratio in MIDHANI.

Inventory Turnover Ratio is an indicator of whether the firm has used the inventory efficiently or not and also give a clear picture about whether only required minimum funds have been locked in inventory or not. Firm has to keep an eye on Inventory Turnover Ratio because a very low inventory turnover means excessive inventory accumulation than warranted by production and sales or simply larger stock lying unsold. But a very high inventory turnover may be the result of a very low level of inventory stock which results in early stock out. The inventory turnover ratio of MIDHANI is being evaluated from 2013 to 2022. Table no. 2 clearly shows that in 2017 it was at highest but after disinvestment it was not improved satisfactorily. The p-value in table no. 3 rejects the alternative hypothesis and conclude that there is significant improvement in the Inventory Turnover Ratio after disinvestment. There is inefficiency of management in maintaining satisfactory inventory turnover during the later period of the study. The researcher strongly believes that a neither too high nor too low inventory turnover ratio is desirable and therefore MIDHANI must practice proper inventory management in-order to avoid issues like over stock accumulation, accumulation of obsolete technology, stock-out situation, selling inventory at lower price etc.

3. Liquidity ratio:

Liquidity ratios are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising outsides capital. Common liquidity ratios include the quick ratio and current ratio.

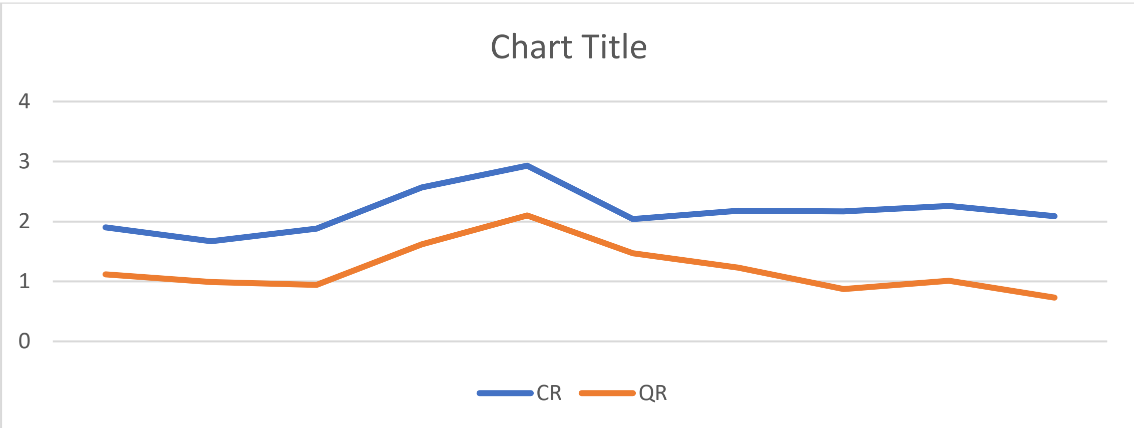

Figure: 4

The current ratio (CR) is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables. A current ratio (CR) that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average may indicate a higher risk of distress or default. Similarly, if a company has a very high current ratio (CR) compared with its peer group, it indicates that management may not be using its assets efficiently and ideally it should be 2:1. From the table no. 1, it can be interpreted that in post disinvestment era there is an ideal current ratio compared to pre disinvestment era except in 2017 it was 2.93 (at peak). It indicates that at that time management might not use its assets efficiently.

The quick ratio (QR) measures a company's capacity to pay its current liabilities without needing to sell its inventory or obtain additional financing. The quick ratio is considered a more conservative measure than the current ratio (CR), which includes all current assets as coverage for current liabilities. The higher the quick ratio (QR) result, the better a company's liquidity and financial health; the lower the ratio, the more likely the company will struggle with paying debts and ideally it should be 1:1. From the Table no. 2 and the figure 4 the quick ratio has been fluctuating it shows increasing trend from 2014 to 2017 and declined from 2018. The table no. 2 and figure 4 clearly indicate from 2018 onwards the company was inefficient and struggled hard to pay off its current obligations during the latter period. From the table 3, it is evident that throughout the study period, MIDHANI was unable to meet out its short-term obligations efficiently and smoothly except for the years 2014 to 2017. The p-value in table no 3 shows there is no significant change in the liquidity ratios post disinvestment of MIDHANI.

4. Solvency Ratio:

A solvency ratio helps to examine a firm's ability to meet its long-term debts and obligations. The main solvency ratios include the interest coverage ratio and the debt-to-equity (D/E) ratio. Solvency ratios are often used by prospective lenders when evaluating a company's creditworthiness as well as by potential bond investors. Solvency ratios and liquidity ratios both measure a company's financial health but solvency ratios have a longer-term outlook than liquidity ratios. Like other financial ratios, solvency ratios often hold most value when it is compared over time or against other companies.

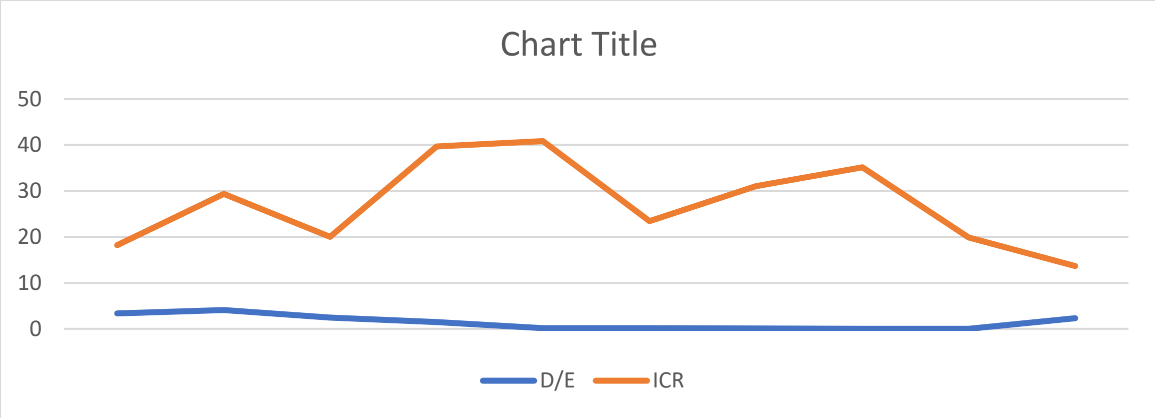

Figure: 5

Debt-to-equity (D/E) ratio compares a company's total liabilities with its shareholder equity and can be used to assess the extent of its reliance on debt. D/E ratios vary by industry and are best used to compare direct competitors or to measure change in the company's reliance on debt over time. Debt equity is the comparison of shareholders fund and long-term debt of a concern.

Lower the ratio, better is the situation for the creditors as it portrays a sound and safe capital structuring policy of the company. High proportion of owner's fund provides a larger margin of safety for creditors. The debt equity ratio of MIDHANI is being evaluated from 2012-13 to 2021-22. From table no. 2, in 2013 and 2014 Debt-to-Equity ratio is high 3.33 and 4.08. which means that MIDHANI was largely trading on equity for the purpose of finance the but it started declining gradually and the very next year saw an unprecedented fall in Debt-to-Equity Ratio of MIDHANI. Such decrease is favourable from creditor's point of view but it can result into severe reduction of wealth maximization of the shareholders due to forgone tax leverage benefits. The fluctuating trend showed that MIDHANI was always altering its Debt-Equity-Ratio in order to strike an optimal capital structure and consequently it was lowest in year 2020. Above figure 5 clearly depicts that in the past years, SAILMIDHANI has reduced its dependence on debt instruments as a source of finance. It also reveals that management of MIDHANI has started lowering the trading on equity and preferably going for other sources like retained earning instead which is sign of strong and healthy capital structure. From the table no. 2, the mean value of Debt-to-Equity ratio pre disinvestment of MIDHANI from the period 2013 to 2017 was 2.3, which means MIDHANI had ₹ 2.3 of debt for every ₹1 for equity. And the mean value of Debt-to-Equity ratio pre disinvestment of MIDHANI from the period 2018 to 2022 was 2.3, which means MIDHANI had ₹ 0.5 of debt for every ₹1 for equity. It shows improvement in the Debt-to-Equity ratio.

The interest coverage ratio is a financial metric that measures whether companies can pay their outstanding debts. The general rule is that the higher the ratio, the better position a company has to repay its interest obligations while lower ratios point to financial instability. It is one of a number of debt ratios that can be used to evaluate a company's financial condition. ICR of MIDHANI is being evaluated from 2012-13 to 2021-22 and table no. 2 clearly shows that in the beginning of the study period i.e., from 2013 to 2017, Interest Coverage Ratio was higher ranging from 18.21 to 40.85 which indicated that MIDHANI was strong enough and had sufficient capability to meet out its obligation of interest but a too high ICR is never desirable. In 2016 and 2017 Interest Coverage Ratio of MIDHANI was unprecedentedly high up-to 39.66 and 40.85 times which means that MIDHANI was not using Debt as a source of financing and this would have even resulted into negative tax leverage as well. Realizing the importance of debt financing and benefits of trading on equity, Management of SAIL started increasing Trading on equity and which resulted into fall of Interest Coverage Ratio in following years continuously. However, the scenario started changing in the later years when the ICR started declining gradually and it was recorded lowest in the year 2022. The mean value of MIDHANI interest coverage ratio before disinvest was 29.614 and it decreased to 24.62.

The p-value in the table no 3 shows that there is no significant change in the solvency ratios of MIDHANI.

Conclusion:

Financial performance evaluation is the process of measuring the results of firm’s policies and operation in monetary terms. Measuring the financial status is an important issue to the corporate finance manager. Public sector reforms are the need of the hour hence in the study the attempt has been made to study and compare the financial performance of the firm MIDHANI pre and post first disinvestment. The financial performance of MIDHANI is compared in four terms of ratio, which are, profitability ratio, efficiency ratio, liquidity ratio and solvency ratio. The descriptive statistics mean value, standard deviation and paired T-test shows that there is no significant improvement in the financial ratios post-disinvestment. Only three ratios that is return on equity, earning per share and debt/equity ratio shows positive effect after disinvestment. The decline in the return on capital employed ratio and return on asset ratio indicate the firm is not utilizing its capital efficiently. Also, the results reveal that there is improvement in debt-to-equity ratio which means the equity of company shareholder is bigger and it does not require any money to finance its business and operation to growth.

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