

---

## Fixed Assets Management-A Study at NTPC Limited

**D. Rajitha<sup>1</sup>**

*<sup>1</sup>Assistant Professor, Department of Business Management,  
Trinity College of Engineering & Technology, Karimnagar.*

### Abstract

Probability of an undertaking depends upon various factors, of which utilization of fixed assets is an important one. The higher the utilization of fixed assets the higher will be the profit. Under utilization of fixed assets leads to fall in returns. So in order to maximize returns, investment has to be made on those fixed assets which can be fully utilized. Proper care should be taken in selecting investment proposals. Moreover, the selection of proper investment proposals is very significant because of the serious drawbacks, like inflexibility and uncertainty. Hence, in this paper an attempt is made to study about the fixed assets management in the NTPC Limited.

### Introduction

Financial Statement Analysis generally attempts to reveal the meaning and significance of the items composed in Profit and Loss Account and Balance Sheet. According to Kennedy and Macmillan “Financial Performance is scientific evaluation of profitability and financial strength of any business concern”. Financial Performance is the snapshot of a concern's position and ability to survive the ever-changing environment. It is the blue print of the financial affairs of the concern and reveals how a business is prospered under the leadership of its management human resources. In fact, financial performance is the medium of evaluation of management performance. According to accounting point of view financial statement are prepared by a business enterprise at the end of every financial year. Financial statements are end products of financial accounting. They are capsule periodical reports of financial and operating data accumulated by a firm in its books of accounts and the General Ledger. The overall objective of a business is earning satisfactory returns on the funds invested in it. Consistent with maintaining a sound financial position, an evaluation of such performance is done in order to measure the efficiency of operations or the profitability of the organization and to assess the financial strength as compared with a similarly situated concern. Financial Appraisal is generally directed towards evaluating the liquidity, stability and profitability of a concern which put together symbolizes the financial efficiency of a concern.

### Objectives of the Study

- To analyse the performance of NTPC Limited with respect to fixed assets management.

- To draw the conclusions based on the study and offer valid suggestions.

## Fixed assets management

**Fixed assets management** is an accounting process that seeks to track fixed assets for the purposes of financial accounting, preventive maintenance, and theft deterrence. Organizations face a significant challenge to track the location, quantity, condition, maintenance and depreciation status of their fixed assets. A popular approach to tracking fixed assets uses serial numbered asset tags, which are labels often with bar codes for easy and accurate reading. The owner of the assets can take inventory with a mobile bar code reader and then produce a report. Off-the-shelf software packages for fixed asset management are marketed to businesses small and large. Some enterprise resource planning systems are available with fixed assets modules. Some tracking methods automate the process, such as by using fixed scanners to read bar codes on railway freight cars or by attaching a radio-frequency identification (RFID) tag to an asset. Expenditure incurred by undertaking may be divided into two categories, Capital Expenditure and Revenue or operating Expenditure<sup>89</sup>. Expenditure which is realized within a year is known as revenue or operating expenditure whereas expenditure which provides benefit (Cash flow) for periods exceeding one year is known as capital expenditure. The key characteristics of capital expenditure are that a major part of the expenditure is made at one point of time and benefits are realized at different times. Investment on fixed assets is a capital expenditure, but capital expenditure does not mean investment on fixed assets alone. The motives for capital expenditure may be to acquire, replace or modernize fixed assets or to obtain some benefit over a longer period.

## Data Analysis & Interpretation

**Land to Fixed Assets:** The percentage of Land to Fixed Assets is high in the year 2015-16 with 4.08 per cent followed by 3.67 per cent in the year 2016-17, 3.38 per cent in the year 2017-18, 2.67 per cent in the year 2018-19 and 2.51 per cent in the year 2019-20. During the period of study the average percentage of Land to Fixed Assets is 3.262 per cent.

**Building to Fixed Assets:** The percentage of Building to Fixed Assets is high in the year 2015-16 with 2.12 per cent followed by 2.10 per cent in the year 2018-19, 2.07 per cent in the year 2019-20, 2.02 per cent in the year 2016-17 and 1.83 per cent in the year 2017-18. During the period of study the average percentage of Building to Fixed Assets is 2.028 per cent.

**Plant & Machinery to Fixed Assets:** The percentage of Plant & Machinery to Fixed Assets is high in the year 2018-19 with 41.02 per cent followed by 39.14 per cent in the year 2019-20, 37.78 per cent in the year 2015-16, 35.50 per cent in the year 2016-17 and 34.78 per cent in the year 2017-18. During the period of study the average percentage of Plant & Machinery to Fixed Assets is 37.644 per cent.

**Vehicles to Fixed Assets:** The percentage of Vehicles to Fixed Assets is high in the year 2018-19 with 0.00429 per cent followed by 0.00426 per cent in the year 2015-16, 0.00419 per cent in the year 2017-18, 0.00352 per cent in the year 2016-17 and 0.00351 per cent in the year 2019-20. During the period of study the average percentage of Vehicles to Fixed Assets is 0.003954 per cent.

**Other Fixed Assets to Fixed Assets:** The percentage of Other Fixed Assets to Fixed Assets is high in the year 2017-18 with 60.01 per cent followed by 58.81 per cent in the year 2016-17, 56.28 per cent in the year 2019-20, 56.01 per cent in the year 2015-16 and 54.22 per cent in the year 2019-20. During the period of study the average percentage of Other Fixed Assets to Fixed Assets is 57.066 per cent.

**Fixed Assets to Total Assets:** The percentage of Fixed Assets to Total Assets is high in the year 2016-17 with 86.14 per cent followed by 85.97 per cent in the year 2017-18, 84.30 per cent in the year 2019-20, 83.16 per cent in the year 2018-19 and 81.12 per cent in the year 2015-16. During the period of study the average percentage of Fixed Assets to Total Assets is 84.138 per cent.

**Fixed Assets turnover ratio:** The percentage of Fixed Assets turnover ratio is high in the year 2015-16 with 0.234 followed by 0.194 in the year 2016-17, 0.192 in the year 2018-19, 0.191 in the year 2017-18 and 0.189 in the year 2019-20. During the period of study the average Fixed Assets turnover ratio is 0.19984.

**Sales to land ratio:** The percentage of sales to land ratio is high in the year 2019-20 with 14.96 followed by 14.35 in the year 2018-19, 11.55 in the year 2015-16, 11.31 in the year 2017-18 and 10.59 in the year 2016-17. During the period of study the average sales to land ratio is 12.55.

**Sales to building ratio:** The percentage of sales to building ratio is high in the year 2015-16 with 22.17 followed by 20.92 in the year 2017-18, 19.21 in the year 2016-17, 18.24 in the year 2018-19 and 18.17 in the year 2019-20. During the period of study the average sales to building ratio is 19.74.

**Sales to plant & machinery ratio:** The percentage of sales to plant & machinery ratio is high in the year 2017-18 with 10.98 followed by 10.92 in the year 2016-17, 1.24 in the year 2015-16, 0.96 in the year 2019-20 and 0.93 in the year 2018-19. During the period of study the average sales to plant & machinery ratio is 5.01.

**Sales to vehicles ratio:** The percentage of sales to vehicles ratio is high in the year 2015-16 with 11050 followed by 11027 in the year 2016-17, 10718 in the year 2019-20, 9130 in the year 2017-18 and 8922 in the year 2018-19. During the period of study the average sales to vehicles ratio is 10169.4.

**Sales to Other Fixed Assets Ratio:** The percentage of sales to other fixed assets ratio is high in the year 2015-16 with 0.8412 followed by 0.7056 in the year 2018-19, 0.6678 in the year 2019-20, 0.6607 in the year 2016-17 and 0.6367 in the year 2017-18. During the period of study the average sales to other fixed assets ratio is 0.7024.

## Conclusion

The Fixed asset turnover ratio of the company was declining during the study period which shows that company overinvested in fixed assets, or need to issue new products to revive its sale, or shows that company has invested in areas that do not increase the capacity of the bottleneck operation. Therefore, company should focus on to improve the FATR by increasing sales, or by improving its efficiency. In order to improve the efficiency of NTPC, company should reduce its cost of production. During the period of study, the fixed asset management of NTPC Limited was satisfactory.

**Table 1. Percentage of Land to Fixed Assets**

(Amount in Rs. Lakhs)

Year	Land	Fixed Assets	Percentage of Land to Fixed Assets
2015-16	6,523.21	1,59,941.97	4.08
2016-17	6,793.98	1,85,318.87	3.67
2017-18	7,013.91	2,07,633.81	3.38
2018-19	5,937.23	2,22,719.18	2.67
2019-20	6,160.24	2,45,211.02	2.51
AVERAGE			3.262

Source: Annual Reports of the Company

**Table 2. Percentage of Building to Fixed Assets**

(Amount in Rs. Lakhs)

Year	Building	Fixed Assets	% of Building and Fixed Assets
2015-16	3,398.36	1,59,941.97	2.12
2016-17	3,746.60	1,85,318.87	2.02
2017-18	3,792.44	2,07,633.81	1.83
2018-19	4,669.17	2,22,719.18	2.10
2019-20	5,072.36	2,45,211.02	2.07
AVERAGE			2.028

Source: Annual Reports of the Company

**Table 3. Percentage of Plant & Machinery to Fixed Assets**

(Amount in Rs. Lakhs)

Year	Plant and Machinery	Fixed Assets	Percentage of Plant & Machinery to Fixed Assets
2015-16	60,429.87	1,59,941.97	37.78
2016-17	65,789.94	185318.87	35.50
2017-18	72,220.54	207633.81	34.78
2018-19	91,348.69	222719.18	41.02
2019-20	95,966.10	245211.02	39.14
AVERAGE			37.644

Source: Annual Reports of the Company

**Table 4. Percentage of Vehicles to Fixed Assets**

(Amount in Rs. Lakhs)

Year	Vehicles	Fixed Assets	Percentage of Vehicles to Fixed Assets
2015-16	6.82	159941.97	0.00426
2016-17	6.53	185318.87	0.00352
2017-18	8.69	207633.81	0.00419
2018-19	9.55	222719.18	0.00429
2019-20	8.6	245211.02	0.00351
AVERAGE			0.003954

Source: Annual Reports of the Company

**Table 5. Percentage of Other Fixed Assets to Fixed Assets**

(Amount in Rs. Lakhs)

Year	Other Fixed Assets	Fixed Assets	Percentage of Other Fixed Assets to Fixed Assets
2015-16	89583.71	159941.97	56.01
2016-17	108981.82	185318.87	58.81
2017-18	124598.23	207633.81	60.01
2018-19	120754.54	222719.18	54.22
2019-20	138003.72	245211.02	56.28
AVERAGE			57.066

Source: Annual Reports of the Company

**Table 6. Percentage of Fixed Assets to Total Assets**

(Amount in Rs. Lakhs)

Year	Fixed Assets	Total Assets	Percentage of Fixed Assets to Total Assets
2015-16	159941.97	197170.26	81.12
2016-17	185318.87	215138.32	86.14
2017-18	207633.81	241505.33	85.97
2018-19	222719.18	267832.09	83.16
2019-20	245211.02	290877.77	84.30
AVERAGE			84.138

Source: Annual Reports of the Company

**Table 7. Fixed Assets Turnover Ratio**

(Amount in Rs. Lakhs)

Year	Sales	Average Fixed Assets	Fixed Assets Turnover Ratio
2015-16	75362.4	159941.97	0.234
2016-17	72009.2	185318.87	0.194
2017-18	79342.3	207633.81	0.191
2018-19	85208	222719.18	0.192
2019-20	92179.6	245211.02	0.189
AVERAGE			0.19984

Source: Annual Reports of the Company

**Table 8. Sales to Land Ratio**

(Amount in Rs. Lakhs)

Year	Sales	Land	Sales to Land Ratio
2015-16	75362.4	6523.21	11.55
2016-17	72009.2	6793.98	10.59
2017-18	79342.3	7013.91	11.31
2018-19	85208	5937.23	14.35
2019-20	92179.6	6160.24	14.96
AVERAGE			12.55

Source: Annual Reports of the Company

**Table 9. Sales to Building Ratio**

(Amount in Rs. Lakhs)

Year	Sales	Buildings	Sales To Buildings Ratio
2015-16	75362.4	3398.36	22.17
2016-17	72009.2	3746.6	19.21
2017-18	79342.3	3792.44	20.92
2018-19	85208	4669.17	18.24
2019-20	92179.6	5072.36	18.17
AVERAGE			19.74

Source: Annual Reports of the Company

**Table 10. Sales to Plant & Machinery Ratio**

(Amount in Rs. Lakhs)

Year	Sales	Plant & Machinery	Sales to Plant & Machinery
2015-16	75362.4	60429.87	1.24
2016-17	72009.2	65789.94	10.92
2017-18	79342.3	72220.54	10.98
2018-19	85208	91348.69	0.93
2019-20	92179.6	95966.1	0.96
AVERAGE			5.01

Source: Annual Reports of the Company

**Table 11. Sales to Vehicles Ratio**

(Amount in Rs. Lakhs)

Year	Sales	Vehicles	Sales to Vehicles Ratio
2015-16	75362.4	6.82	11050
2016-17	72009.2	6.53	11027
2017-18	79342.3	8.69	9130
2018-19	85208	9.55	8922
2019-20	98179.6	8.6	10718
AVERAGE			10169.4

Source: Annual Reports of the Company

**Table 12. Sales to Other Fixed Assets Ratio**

(Amount in Rs. Lakhs)

Year	Sales	Other Fixed Assets	Sales to Other Fixed Assets Ratio
2015-16	75362.4	89583.71	0.8412
2016-17	72009.2	108981.82	0.6607
2017-18	79342.3	124598.23	0.6367
2018-19	85208	120754.54	0.7056
2019-20	92179.6	138003.72	0.6678
AVERAGE			0.7024

Source: Annual Reports of the Company

## References

1. Prasanna Chandra, Financial Management, Tata Mc Graw Hill Education Private Limited, New Delhi.
2. I. M. Pandey, Financial Management, Vikas Publishing House Private Limited, Noida.
3. M.Y Khan and P K Jain: Financial Management, Tata Mc Graw Hill Education Private Limited, New Delhi.
4. Shashi K Gupta, R.K. Sharma, Neeti Guota, Financial Management, Kalyani Publishers.
5. James C Van Home, Sanjay Dhamija, Financial management and policy, Pearson Education, New Delhi.
6. Arindam Benerjee, Financial Management, Oxford Publications, 2016.
7. [http://en.Wikipedia.org/wiki/ Financial Management.](http://en.Wikipedia.org/wiki/Financial_Management)