



# AN ANALYSIS ON FINANCIAL HEALTH OF BICELLI GECO HYDRAULICS RESPECTIVE: BALANCE SHEET

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## OBJECTIVES

### Primary objective

The primary objective of the study is to analyze the overall financial performance of BICELLI GECO HYDRAULICS.

### Secondary objective

1. To examine the liquidity position of Bicelli Geco Hydraulics using various ratios.
2. To study the growth of assets, liabilities and investments.
3. To suggest relevant improvement and procedures to strengthen the financial position of the company.

## SCOPE

The scope of the study is formatted to BICELLI GECO HYDRAULICS by the analysis of financial performance level using ratio analysis and growth rate analysis. Only secondary data are used for analysing the financial performance of BICELLI GECO HYDRAULICS. The source where the secondary data are collected is annual sample reports comprising balance sheet f BICELLI GECO HYDRAULICS

## STATEMENT OF THE PROBLEM

BICELLI GECO HYDRAULICS, a leading company in the machinery industry includes the people to give more attention on one side, while they are in process of making decision on investment on the other side of financial analysis is a process of identification strength and weakness of the firm.

The study is intended to analyze the financial performance of BICELLI GECO HYDRAULICS considering the above information.

**LIMITATION:**

The following are limitations of the study,

1. Analyses and interpretations have been made based on the figures given in the annual sample reports only.
2. Difficulties of getting access to some important data were found due to its confidential nature
3. The study is limited to a period of five years and so the conclusion drawn from it may not be universalized.

**REVIEW OF LITERATURE:**

**According to Drake (2010)**, financial statement analysis is the selection, evaluation, and interpretation of financial data, along with other pertinent information, to assist in investment and financial decision-making. Moreover, it is also the process of identifying financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account (accounting for management website).

**Edmister (2012)** The role of ratio analysis to determine the financial health of a small-scale enterprises Edmister (2012) has undertaken a similar study for small enterprises in a general view and has done the comparison with similar studies in various large and medium enterprises. He has empirically tested a variety of methods in analyzing financial ratios in small business failure predication.

**(Moyer, McGuigan, Kretlow, 2005)** Analysis of financial statement assists in identifying the major strengths and weaknesses of a business enterprise. It indicates whether a firm has enough cash to meet obligations; a reasonable accounts receivable collection period; an efficient inventory management policy; sufficient plant, property, and equipment; and an adequate capital structure Smart investor use financial ratios to analyses a company's financial performance before making an investment. Financial ratios reveal how a company is financed, how it uses its resources, its ability to pay its debts and its ability to generate profit.

**(Boundless, 2014)**. Financial ratios allow for comparisons and, therefore, are knotted with the process of benchmarking, comparing one's business to that of others or of the same company at a different point in time. In many cases, benchmarking involves comparisons of one company to the best companies in a comparable peer group or the average in that peer group or industry.

**ANALYSIS AND INTERPRETATION:****COMPARATIVE STATEMENT:**

A comparative financial statement is a comprehensive document in financial reporting that presents financial data from different time periods side by side, typically spanning two or more consecutive periods. Its primary purpose is to enable a thorough comparison between financial metrics from distinct periods, allowing for the identification of trends, shifts, or detailed patterns in the company's financial performance over time.

By placing financial information from different periods side by side, comparative financial statements provide a detailed understanding of how various aspects of the company's financial health have evolved over time. This analysis covers areas such as revenue generation, expense management, asset accumulation, liability management, and changes in shareholders' equity. Through these detailed comparisons, stakeholders can discern the trajectory of the company's financial performance, identifying areas of growth, potential risks, or emerging opportunities.

	A	B	C	D	E	F	G	H	I	J	K
1	<b>LIABILITIES</b>		<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>TOTAL</b>	<b>AVERAGE</b>	<b>GROWTH RATE</b>	
2	capital		2163.31	1850.43	2064.8	2501.25	2971.15	5134.46	1026.892	37.34277565	
3	reserves&surplus		1641.4	1434.7	1573.46	2109.17	2481.64	4123.04	824.608	51.19044718	
4	secured loan		6489.11	4200.2	5941.62	7819.36	8170.55	14659.66	2931.932	25.91171979	
5	unsecured loan		10646.59	8153.18	9623.54	12782.91	14398.49	25045.08	5009.016	35.24039152	
6	liabilities&provision		1656.87	1346.8	1544.08	2012.01	2407.14	4064.01	812.802	45.28236977	
7	deferred tax		0	0	9.75	0	0	0	0	-	
8	<b>TOTAL</b>		<b>22597.28</b>	<b>16985.31</b>	<b>20757.25</b>	<b>27224.7</b>	<b>30428.97</b>	<b>117993.5</b>	<b>23598.7</b>	<b>34.65766676</b>	
9											
10	<b>ASSETS</b>										
11	fixed assets		1288.34	1089.83	1219.16	1448.71	1550.33	6596.37	1319.274	20.33547045	
12	investments		3064.81	1041.68	2809.67	3994.01	4996.14	15906.31	3181.262	63.01630444	
13	current assets		18234.53	14845.6	16719.92	21761.08	23869.59	95430.72	19086.14	30.90323688	
14	deffered tax		0	0	0	10.15	0	10.15	2.03	-	
15	miscellaneous assets		9.6	8.2	8.5	10.75	12.91	49.96	9.992	34.47916667	
16	<b>TOTAL</b>		<b>22597.28</b>	<b>16985.31</b>	<b>20757.25</b>	<b>27224.7</b>	<b>30428.97</b>	<b>117993.5</b>	<b>3598.7</b>	<b>34.65766676</b>	
17											
18											

### COMMON SIZE STATEMENT:

A common size statement is a financial report that presents financial data in a standardized format by expressing each line item as a percentage of a chosen base figure, typically total revenue or total assets. This format allows for easy comparison of the financial performance and composition of different companies, or for analyzing changes within a single company over time.

In a common size income statement, for instance, each line item such as revenue, expenses, and net income, is represented as a percentage of total revenue. By doing so, it becomes simpler to understand the relative proportions of each expense category or revenue stream concerning the total revenue generated by the company.

	A	B	C	D	E	F	G	H
1	<b>LIABILITIES</b>		<b>2018-2019</b>	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>	
2	capital		9.573320329	10.8943	9.947368	9.187429	9.764215	
3	reserves&surplus		7.263706074	8.446711	7.580291	7.747266	8.155518	
4	secured loan		28.71633223	24.72843	28.62431	28.72157	26.85122	
5	unsecured loan		47.11447572	48.00136	46.36231	46.95335	47.31836	
6	liabilities&provision		7.332165641	7.929205	7.43875	7.390384	7.910685	
7	deferred tax		0	0	0.046972	0	0	
8	<b>TOTAL</b>							
9	(In percentage)		100	100	100	100	100	
10								
11	<b>ASSETS</b>							
12	fixed assets		5.701305644	6.416309	5.873418	5.321307	5.094914	
13	investments		13.56273852	6.132829	13.53585	14.67054	16.41902	
14	current assets		80.69347284	87.40258	80.54978	79.93139	78.44363	
15	deffered tax		0	0	0	0.037282	0	
16	miscellaneous assets		0.042482989	0.048277	0.04095	0.039486	0.042427	
17	<b>TOTAL</b>							
18	(In percentage)		100	100	100	100	100	
19								

### RATIO ANALYSIS

Through ratio analysis, various financial metrics are calculated and compared, allowing analysts and investors to gain a deeper understanding of the company's financial position and operational effectiveness.

## Liquidity ratio

Liquidity is a crucial element of business operations, serving as a corner stone for meeting short-term obligations promptly. Liquidity ratios play a vital role in evaluating a company's ability to settle its immediate liabilities. These ratios provide insight into the efficiency with which a company can convert its assets into cash to meet impending dues. A higher liquidity ratio indicates a greater ability to clear debts and minimize the risk of payment defaults, thereby enhancing financial stability and credibility.

Furthermore, liquidity ratios help stakeholders assess the adequacy of a company's liquid assets relative to its short-term liabilities. Common liquidity ratios include the current ratio and the quick ratio, which measure the company's ability to cover its short-term obligations using its current assets, including cash, marketable securities, and accounts receivable.

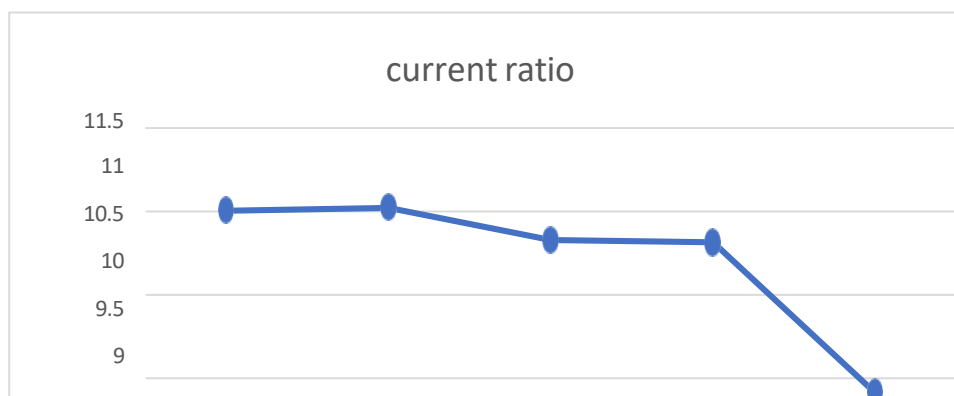
By analysing liquidity ratios, investors, creditors, and management can gain valuable insights into the company's financial health and risk management capabilities. These ratios serve as early warning indicators for potential liquidity issues and help guide decision-making processes related to financing, investment, and operational strategies.

## Current ratio

Table

	A	B	C	D	E	F	G	
1	<b>YEAR</b>	<b>CURRENT ASSETS</b>		<b>CURRENT LIABILITIES</b>		<b>CURRENT RATIO</b>		
2		(In lakhs)		(In lakhs)				
3	<b>2018-2019</b>	18234.53		1656.87		11.00540779		
4	<b>2019-2020</b>	14845.6		1346.8		11.02286902		
5	<b>2020-2021</b>	16719.92		1544.08		10.82840267		
6	<b>2021-2022</b>	21761.08		2012.01		10.81559237		
7	<b>2022-2023</b>	23869.59		2407.14		9.916161918		
8								
9	<b>AVERAGE</b>	19086.14		1793.38		10.71768675		
10								
11		<b>(current ratio = current assets/ current liabilities)</b>						

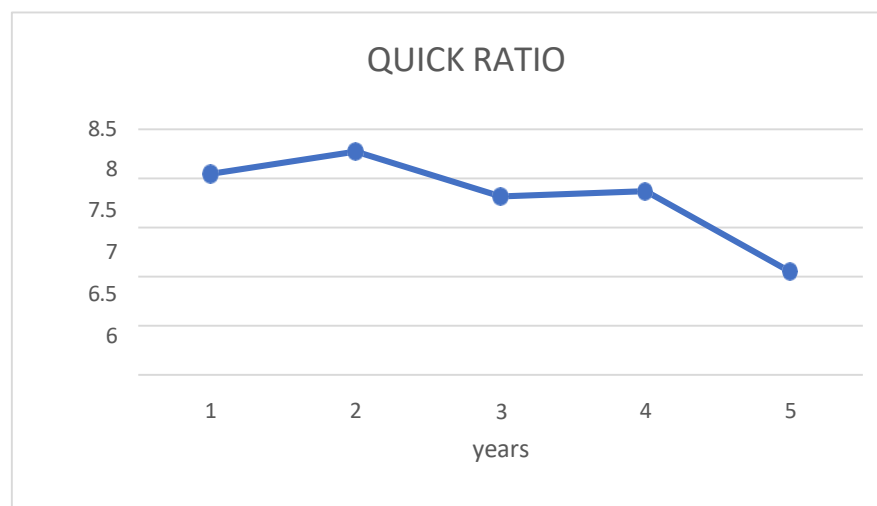
Graph



**Quick ratio**  
Table

1	YEAR	QUICK ASSETS	CURRENT LIABILITIES	QUICK RATIO
2		(In lakhs)	(In lakhs)	
3	2018-2019	13334.82	1656.87	8.048199
4	2019-2020	11145.22	1346.8	8.275334
5	2020-2021	12074.16	1544.08	7.819647
6	2021-2022	15839.49	2012.01	7.872471
7	2022-2023	16970.63	2407.14	7.050122
8				
9	AVERAGE	13872.86	1793.38	7.813155
10	(quick ratio = quick assets / current liabilities)			
11				

Graph



**Growth rate analysis**

Growth ratios are vital indicators that illustrate the pace at which a company is expanding. These ratios provide insights into the rate of growth and expansion of a firm's key financial metrics. One such important financial indicator utilized for this purpose is the growth rate ratio.

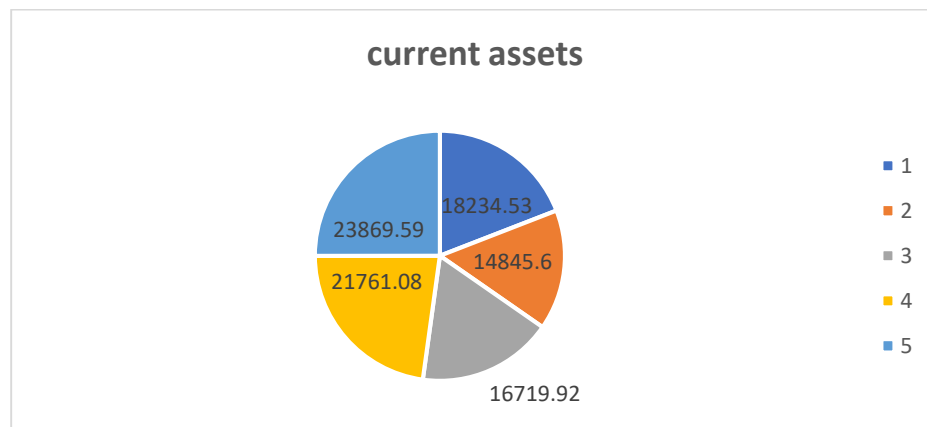
Understanding the growth rate of current assets is essential for evaluating various aspects of a company's financial health. Firstly, it provides insights into the company's liquidity position by assessing its ability to meet short-term obligations and cover operating expenses. A higher growth rate in current assets may indicate improved liquidity, while a decline could signal potential liquidity challenges

### Growth Rate of Current Asset

Table

YEAR	current asset (In lakhs)	growth rate (In percentage)
2018-2019	18234.53	-
2019-2020	14845.6	-18.5852
2020-2021	16719.92	12.62542
2021-2022	21761.08	30.15062
2022-2023	23869.59	9.689363
mean	19086.14	
s.d	3685.889	

Graph

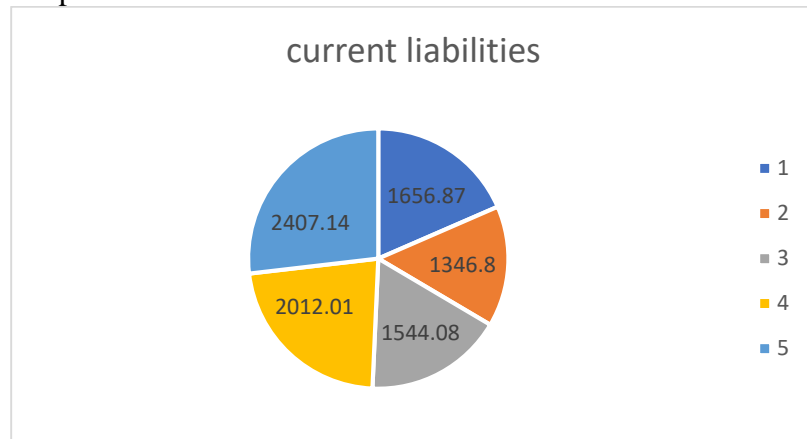


### Growth rate of current liabilities

Table

YEAR	current liabilities (In lakhs)	growth rate (In percentage)
2018-2019	1656.87	-
2019-2020	1346.8	-18.7142
2020-2021	1544.08	14.64805
2021-2022	2012.01	30.30478
2022-2023	2407.14	19.63857
mean	1793.38	
s.d	419.7379	

Graph

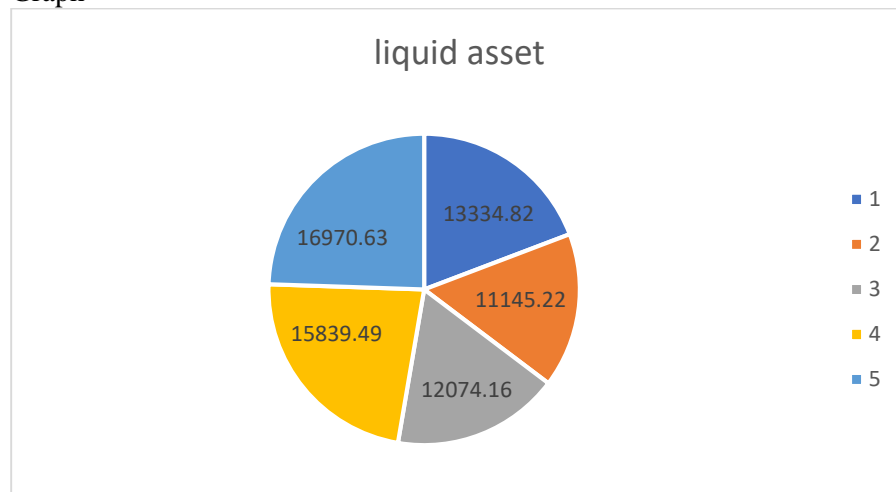


## GROWTH RATE OF LIQUID ASSEST

Table

	A	B	C	D	E
1	<b>YEAR</b>	<b>liquid assets</b>		<b>growth rate</b>	
2		<b>(In lakhs)</b>		<b>(In percentage)</b>	
3	<b>2018-2019</b>	13334.82		-	
4	<b>2019-2020</b>	11145.22		<b>-16.4202</b>	
5	<b>2020-2021</b>	12074.16		<b>8.334874</b>	
6	<b>2021-2022</b>	15839.49		<b>31.18503</b>	
7	<b>2022-2023</b>	16970.63		<b>7.141265</b>	
8					
9	<b>mean</b>	<b>13872.86</b>			
10	<b>s.d</b>	<b>2471.267</b>			
11					

Graph

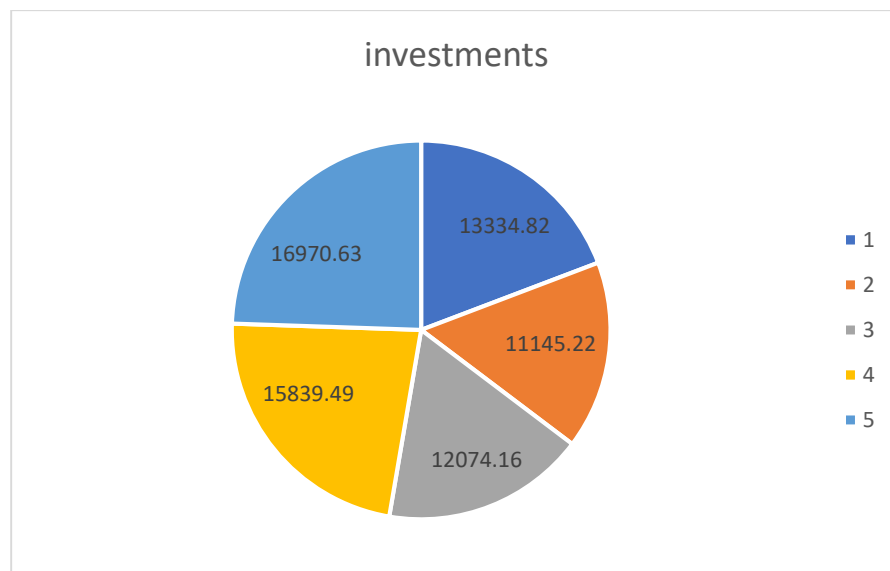


## Growth rate of investments

Table

	A	B	C	D	E
1	<b>YEAR</b>	<b>investment</b>		<b>growth rate</b>	
2		<b>(In lakhs)</b>		<b>(In percentage)</b>	
3	<b>2018-2019</b>	13334.82		-	
4	<b>2019-2020</b>	11145.22		<b>-16.4202</b>	
5	<b>2020-2021</b>	12074.16		<b>8.334874</b>	
6	<b>2021-2022</b>	15839.49		<b>31.18503</b>	
7	<b>2022-2023</b>	16970.63		<b>7.141265</b>	
8					
9	<b>mean</b>	<b>13872.86</b>			
10	<b>s.d</b>	<b>2471.267</b>			

Graph



## Findings

### Statements:

The comparative study on assets and liabilities from the balance sheet reveals an average growth rate of total assets/liabilities between 2018-2019 and 2022-2023 at approximately 34.66%, indicating satisfactory growth. The common size statement illustrates the percentage contribution of various assets and liabilities over the analysis period.

### Current Ratio:

Current assets increased from 18,234.53 lakhs in 2018-2019 to 23,869.59 lakhs in 2022-2023, suggesting potential growth driven by factors like increased sales or cash reserves. Similarly, current liabilities rose from 1,656.87 lakhs to 2,407.14 lakhs over the period, indicating an expansion in short-term obligations.

### Quick Ratio:

With an average quick ratio of 7.81, the company displays strong liquidity, indicating its ability to cover short-term liabilities with liquid assets efficiently.



## **Growth Rate:**

Current liabilities experienced fluctuating growth rates, notably a significant increase in 2021- 2022 at 30.30% and a subsequent rise in 2022-2023 at 19.64%. Current assets and liquid assets/investments similarly showed varied growth rates, with a substantial increase in 2021-2022 followed by more moderate growth in 2022-2023.

## **SUGGESTIONS**

### **Current Ratio:**

Monitor and manage fluctuating growth rates of current liabilities closely. Analyze reasons behind significant increases in 2021-2022 and 2022-2023 to optimize liabilities, including accounts payable, short-term debt, and accrued expenses.

### **Improvement in Net Profit:**

Increase share values to enhance net profit and attract shareholders. This strategy can bolster customer confidence and drive sales for Bicelli Geco Hydraulics.

### **Investment in Remodeling Job-Order Concept:**

Enhance productivity by investing in a new plant instead of outsourcing production to small- scale industries. This strategic move can improve workmanship and profitability in the long run.

### **Investment for Product Familiarity:**

Develop a marketing team to promote a variety of products and increase sales and profitability. This investment will drive future financial growth by familiarizing customers with the company's product range.

### **Reduction of Risk:**

Address the high proportion of unsecured loans relative to secured loans to mitigate risk. Implement strategies to reduce unsecured loans and improve financial stability.

## **CONCLUSION:**

The financial analysis of Bicelli Geco Hydraulics from 2018-2019 to 2022-2023 reveals encouraging growth in both total assets and liabilities, indicating a healthy financial trajectory. Stability in liquidity and solvency, as demonstrated by consistent current and quick ratios, provides confidence to investors, further reinforced by a favorable debt equity ratio. Despite these strengths, inconsistent profitability has led to a cessation of dividend payments for five consecutive years. While this issue is noteworthy, it underscores the importance of addressing fluctuations in profitability and minimizing risk exposure to ensure sustained expansion. The positive growth rates observed in current and liquid assets, as well as in current liabilities and investments, signal promising operational performance.