A STUDY ON FINANCIAL PERFORMANCE OF BHARAT HEAVY ELECTRICALS LIMITED (BHEL) BY USING DIFFERENT RATIOS

Dr. Aftab Alam

Assistant Professor

Faculty of Commerce

Karim City College, Jamshedpur

Mr. Rashid Iqubal Ansari

Assistant Professor

Faculty of Commerce

Karim City College, Jamshedpur

ABSTRACT

The study of the research entitled "the study on financial position using different ratio of BHEL Limited" was based on secondary data from annual report of the company. Ratio analysis is critical for helping us to understand financial statements, for measuring the overall financial health of business and for identifying trends over time. Potential investors and Lenders often rely on ratio analysis for making lending and investing decisions .Soundness of any research depends upon the systematic method of data collection and analysis. Financial position of any company and its future can be analysed with the help of different ratios. The present study is based on ratio of last five years data , which was taken from company's balance sheet. This study aims to not only develop an understanding of the concepts of financial ratios but also to provide the investors and other stake holder a practical insight into the application of financial ratios for decision making and control. It analyzes the financial statements of the company. The objective of the study is to Know the company's performance of last five years, which will help the short term and long term investors.

Key words: Ratio analysis, public sector company and inventory.

INTRODUCTION

Bharat Heavy Electrical Limited (BHEL Ltd.) is a celebration of India's industrial achievements. It is established in 1946. It is among the largest engineering and manufacturing company in the energy and infrastructure sector and a leading power equipment manufacturer. In early days The Government under the leadership of Prime Minister, Pandit Jawaharlal Nehru realized that there should be a large manufacturing base and adequate technically qualified personnel for sustained economic growth. As a result, the Government of India signed an agreement on 17th November, 1955, with Associated Electrical Industries (AEI), UK, for the establishment of a factory at Bhopal complete in all respects for the manufacture of heavy electrical equipment in India. The company was registered as Heavy Electricals (India) Limited (HEIL) in the Public Sector under the Ministry of Industry and Commerce on 29th August, 1956.

Government hold 63.17% stake in this company. BHEL Ltd. Is one of the largest engineering and manufacturing company in India. It operates in

- Designing
- Engineering
- Manufacturing
- Construction and Servicing of wide range of products

Company Essentials

MARKET CAP	Rs. 20,004.45 Cr.
ENTERPRISE VALUE	Rs. 18,136.80 Cr
NO. OF SHARES	348.21 Cr.
FACE VALUE	Rs. 2
BOOK VALUE (TTM)	Rs. 76.91
P/E	30.14
DIV. YIELD	0.7 %
DEBT	Rs. 4,833.78 Cr
CASH	Rs. 6,701.43 Cr
SALES GROWTH	-19.34%
PROMOTER HOLDING	63.17 %
EPS (TTM)	Rs. 1.91
ROCE	-9.62%

Share Holding Pattern

PROMOTERS	63.17 %
PUBLIC	20.02 %
DII	12.59 %
FII	4.22 %
OTHERS	00 %

Objective of the study

The research paper aims at analysis on certain ratios of BHEL ltd for the last five years from 2016-17 to 2020-21. The objective of the studies are

- To Determine liquidity or Short-term solvency.
- to evaluate the Ratio analysis as per trend analysis
- To analyze and evaluate the financial performance.
- To make suggestions & recommendations to investors and management.

LITERATURE REVIEW

Literature review is a summary of the sources. It plays vital role to understand the study.

Thomas D lynch and Robert w. Smith: Ratio is a very popular in the world of business and finance. Ratio is used to make an investment decision and to analyze the performance of the company. It gives a tactical advantage and means to exploit such advantage.

Dr. Viral Shah and Shreeda Shah: They have made a review on financial performance of visa steel Limited for five years. they have used accounting ratios to give benefit to various stakeholders of the companies i.e. management, creditors, suppliers and shareholders. Finally, they have concluded that the financial performance of the company is very poor since 2015-16.

Sugandha Sharmaand Dr. Navneet Joshi: In their study "To investigate the financial health of ITC over 10 years" pointed how ratios help in understanding the high operating profits, sustained value creation and high in terms of cash profits.

Research methodology

The research methodology for the study followed a structured approach. It commenced with the process of identifying the topic of the study. After several discussions and deliberations, the topic was finally agreed on account of interest. After the topic was selected, the literature review was carried by means of several, newspaper, research articles and journals.

To undertake the study we have collected secondary data from the company's annual report of last five years and form some website and financial literature.

DATA COLLECTION

Secondary Sources

- Data are collected from the company's website
- From the annual reports maintained by the company
- Books and journals pertaining to the topic

Ratio used in the analysis

- Current ratio.
- Liquid Ratio.
- Inventory turnover ratio
- Debtors turnover ratio

DATA ANALYSIS & INTERPRETATION

1. CURRENT RATIO

$$CURRENT\ RATIO = \frac{CURRENT\ ASSETS}{CURRENT\ LIABILITIES}$$

TABLE SHOWING CURRENT RATIO

Year	Current Assets	Current Liabilities	Ratio
2021-22	27861.98	21371.15	1.30
2020-21	28343.36	20357.21	1.39
2019-20	32703.53	22647,41	1.44
2018-19	38372.09	23030.27	1.67
2017-18	43188.39	22250.23	1.94

Sources: Secondary data

INFERENCE

From the analysis of above table it is evident that current ratio is not well maintained by the company. We can see that, form 2017-18 to 2021-22, current ratio is gradually decreasing. yet company is maintaining this ratio between 1.2-2.

2. LIQUID RATIO

$$LIQUID\ RATIO\ = \frac{LIQUID\ \ ASSETS}{CURRENT\ LIABILITIES}$$

TABLE SHOWING LIQUID RATIO

Year	Liquid Assets	Current Liabilities	Ratio
2021-22	21301.77	21371.15	0.99
2020-21	21148.91	20357.21	1.03
2019-20	23798.07	22647,41	1.05
2018-19	30574.80	23030.27	1.33
2017-18	36929.63	22250.23	1.66

Sources: Secondary data

INFERENCE

A good quick ratio is any number greater than 1.0.From the analysis of above table it is evident that Quick ratio is not well maintained by the company. We can see that, form 2017-18 to 2020-21 , and in 2021-2022 it became less tan 1.Quick ratio is also decreasing gradually .

3. INVENTORY TURNOVER RATIO

$$INVENTORY\ TURNOVER\ RATIO\ = \frac{SALE}{INVENTORY}$$

TABLE SHOWING INVENTORY TURNOVER RATIO

Year	Sale	Inventory (in cror)	Ratio
2021-22	20153.38	6560.21	3.07
2020-21	16295.55	7194.45	2.27
2019-20	20490.64	8905.46	2.30
2018-19	29422.94	7797.29	3.77
2017-18	27864.84	6258.76	4.45

Sources: Secondary data

INFERENCE

From the analysis of above table it is evident that Inventory turnover ratio is well maintained by company in last couple of years. As of now, company is maintaining it between 2.5- to 5, which is good for this type of large cap company.

4. DEBTORS TURNOVER RATIO

$$\text{DEBTOR TURNOVER RATIO} = \frac{TOTAL\ SALE}{DEBTOR}$$

TABLE SHOWING DEBTOR TURNOVER RATIO

Year	Total Sale	Debtor (in cror)	Ratio
2021-22	20153.38	3024.75	6.66
2020-21	16295.55	4035.07	4.04
2019-20	20490.64	7107.62	2.88
2018-19	29422.94	11860.80	2.48
2017-18	27864.84	22771.49	1.22

Sources: Secondary data

INFERENCE

Debtor turnover ratio is referred to as the efficiency ratio that measures the company's ability to collect revenue. From the analysis of above table, it is evident that debtor turnover ratio is well maintained by company and company is increasing this ratio. As of now, company is maintaining it at higher level.

Findings

- The current ratio which is considered as ideal at 2 was 1.94 in 2017-18 and 1.3 in 2021-2022.

- The Quick ratio similarly, which is considered as ideal at 1 was 1.66 in 2017-18 and 0.99 in 2021-2022. Company has not improved this ratio.

- Company cash collection from debtor has improved over the year. It is maintaining a good debtor turnover ratio, which is now increased up to 6.66 times in 2021-22.

- After analyzing the above ratios, it is found that working capital is reducing which will be a problem in future.

- All the liquid ratios were declines in the since 2017-18

SUGGESTION:

- The company should concentrate the financial performance of the company.

- The company should control the ratio to earn more profit

- In general, the working capital for BHEL is at satisfactory level. The overall liquidity position of the concern can further be improved by improving the inventory turnover ratio

- The debtor's collection is not in effective way So step to be taken in collecting this

CONCLUSION

On the basis of above analysis it can be said that the company's working capital management at the end of 2021-2022 was at satisfactory level. From 2017-18 to 2021-22 company was not able to maintain its current and liquid ratios. Though, the sales are increasing over the period and its cash conversion period is also reducing, which is good for the company, its liquid assets is reducing comparison of its current liabilities. After the covid period, its operating profit quarter on quarter is declining, due to increase in its operating cost. Company can perform well in future.

APPENDICES

Bharat Heavy Electricals Limited
Balance Sheet as on 31ˢᵗ March 2020, 2021 and 2022

STATEMENT OF ASSETS AND LIABILITIES (In Cr)

	PARTICULARS	MAR 2020	MAR 2021	MAR 2022
I)	**ASSETS**			
1	Non-Current Assets			
a	Property, plant and equipment	2735.47	2426.16	2336.34
b	Capital work-in-progress	306.74	403.21	422.32
c	Intangible assets	78.61	62.16	62.12
d	Intangible assets under development	7.26	16.35	8.66
e	Financial Assets			
	i) Investments	669.51	670.00	669.71
	ii) Trade Receivables	5270.43	3179.74	3203.84
	iii) Others financial assets	83.17	97.39	86.73
f	Deferred tax assets (net of liabilities)	2756.21	3659.77	3530.08
g	Other non-current assets	16660.49	16852.44	18526.54
	Sub-Total Non Current Assets	28567.89	**27367.22**	**28846.34**

	2	Current Assets			
	a	Inventories	8905.46	7191.23	6560.21
	b	Financial Assets			
		i) Trade Receivables	7107.62	4033.63	3024.75
		ii) Cash & Cash Equivalents	1402.86	1527.18	732.62
		iii) Bank Balances other than Cash & Cash Equivalents	5015.70	5174.25	6421.07
		iv) Loans	134.99		
		v) Others financial assets	123.85	228.18	211.56
	c	Current Tax Assets (Net)	123.85	403.59	119.24
	d	Other current assets	9784.03	9775.96	10792.53
		Sub-Total Current Assets	**32703.53**	**28334.02**	**27861.98**
		TOT AL -ASSETS	**61271.42**	**55701.24**	**56708.32**

II)	**Equity AND LIABILITIES**	**MAR 2020**	**MAR 2021**	**MAR 2022**
1	Equity			
a	Equity share capital	696.41	696.41	696.41
b	Other Equity	28484.80	25787.64	26274.75
	Sub-Total Equity	29181.21	26484.05	26971.16
	LIABILITIES			
2	Non -Current Liabilities			
a	Financial Liabilities			
	i)Lease Liabilities	75.37	53.41	35.12
	ii) Trade Payable	1007.87	1883.77	2131.93
	iii) Other financial liabilities	159.02	216.72	215.10
b	Provisions	5247.89	3912.78	3771.21
c	Other non-current liabilities	2952.65	2831.54	2212.65
	Sub-Total Non Current Liabilities	**9442.80**	**8898.22**	**8366.01**
3	Current Liabilities			
a	Financial Liabilities			
	i) Borrowings	4933.39	4833.78	4745.00
	ii) Lease Liabilities		48.20	49.81
	ii) Trade Payable	8891.98	6675.05	2131.93
	iii) Other financial liabilities	1482.72	917.65	1124.09
b	Provisions	3081.78	3164.25	3066.70
C	Other current liabilities	4257.54	4680.04	4635.96
	Sub-Total Current Liabilities	22647,41	**20318.97**	**21371.15**
	TOTAL EQlllTY AND LIABILITIES	**61271.42**	**55701.24**	**56708.32**

References

- https://www.bhel.com/history-bhel

- https://ticker.finology.in/company/BHEL

- IOSR Journal of Business and Management

- www.iosrjournals.org