



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

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INTRODUCTION:

Finance is the cornerstone of business operations, facilitating economic activities in modern money-oriented economies. Financial analysis involves synthesizing and summarizing financial and operational data from statements to gain insights into a company's operations and financial health. Analyzing financial statements entails assessing relationships between different financial aspects and trends to understand a company's performance and position. BICELLI GECO HYDRAULICS, a prominent manufacturer, is subject to growth rate and ratio analyses to evaluate its financial performance and provide recommendations for maintaining satisfactory financial standing.

OBJECTIVES

Primary objective

The primary objective of the study is to analyse 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 of 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 analyse 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 analysing 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 analyse 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.

Sherbo and Smith's (2013), Zhao (2013), Pradhan, (2013), and Thai, Goh, Teh, Wong and Ong (2013) which applied the Z-Score on individual market or jurisdiction, this study explores the comparative relationship between financial performance and corporate health between two leading markets in the Asia Pacific region, namely Hong Kong and Singapore. Financial performance is an effort made by every company in measuring and assessing every success achieved by analysing financial statements (Sukawati & Wahidahwati, 2020).

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	LIABILITIES		2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	TOTAL	AVERAGE	GROWTH RATE	
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	TOTAL		22597.28	16985.31	20757.25	27224.7	30428.97	117993.5	23598.7	34.65766676	
9											
10	ASSETS										
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	miscellanous assets		9.6	8.2	8.5	10.75	12.91	49.96	9.992	34.47916667	
16	TOTAL		22597.28	16985.31	20757.25	27224.7	30428.97	117993.5	23598.7	34.65766676	
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 analysing 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	LIABILITIES		2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	
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	TOTAL							
9	(In percentage)		100	100	100	100	100	
10								
11	ASSETS							
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	TOTAL							
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.

The types of ratio used in the study are as follows,

1. Liquidity ratio
2. Solvency ratio
3. Profitability ratio

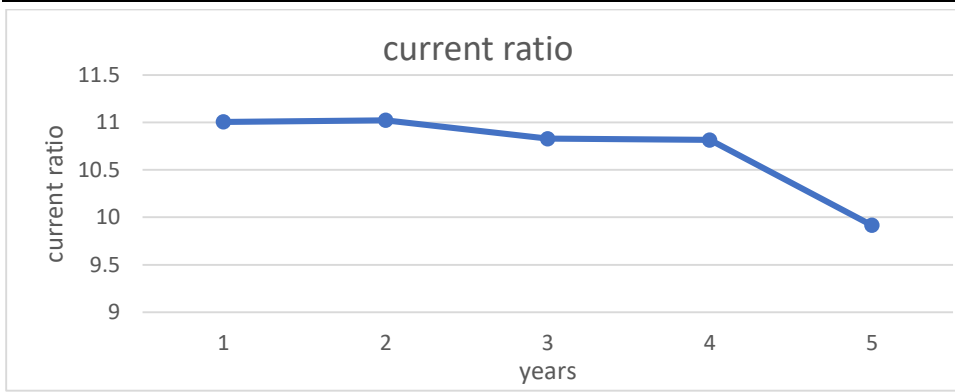
Liquidity ratio

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.

Current ratio

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

Table



Graph

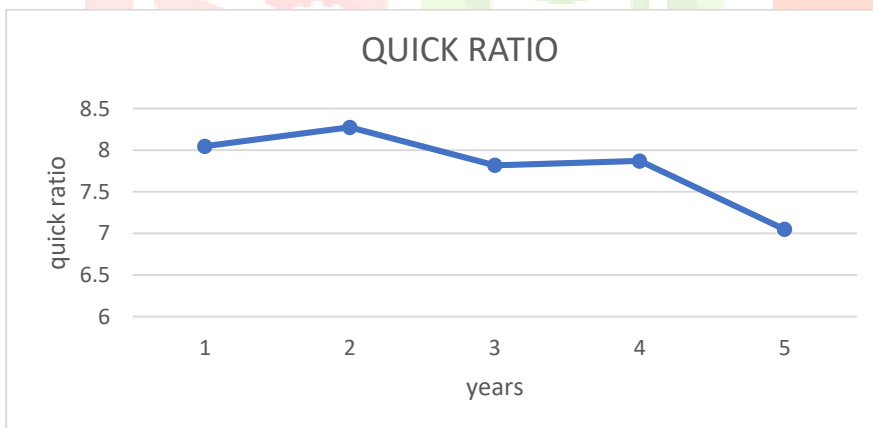
Quick ratio

Table

YEAR	QUICK ASSETS (In lakhs)	CURRENT LIABILITIES (In lakhs)	QUICK RATIO
2018-2019	13334.82	1656.87	8.048199
2019-2020	11145.22	1346.8	8.275334
2020-2021	12074.16	1544.08	7.819647
2021-2022	15839.49	2012.01	7.872471
2022-2023	16970.63	2407.14	7.050122
AVERAGE	13872.86	1793.38	7.813155

(quick ratio = quick assets / current liabilities)

Graph

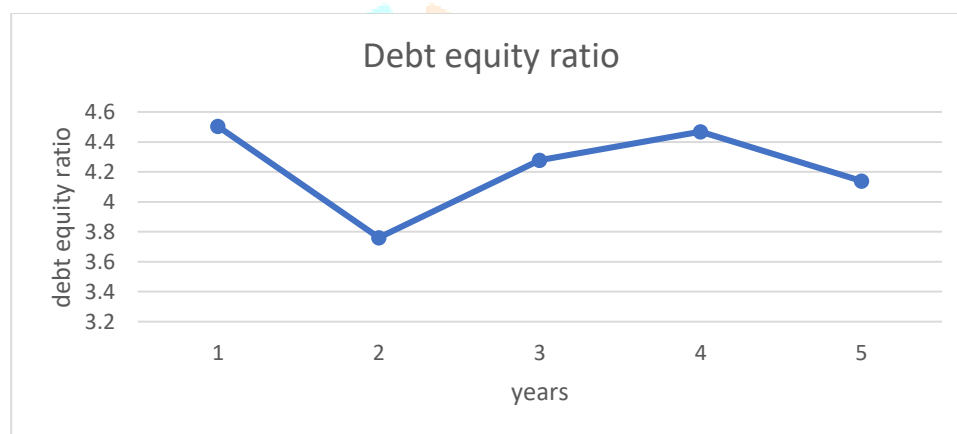


Debt equity ratio

Table

YEAR	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	AVERAGE
(sum of capital and reserves&surplus=shareholder's fund)						
capital	2163.31	1850.43	2064.8	2501.25	2971.15	
reserves&surplus	1641.4	1434.7	1573.46	2109.17	2481.64	
shareholder's fund	3804.71	3285.13	3638.26	4610.42	5452.79	4158.262
(sum of secured loan and unsecured loan= outsider's fund)						
secured loan	6489.11	4200.2	5941.62	7819.36	8170.55	
unsecured loan	10646.59	8153.18	9623.54	12782.91	14398.49	
outsider's fund	17135.7	12353.38	15565.16	20602.27	22569.04	17645.11
(debt equity ratio = outsider's fund / sharholder's fund)						
debt equity ratio	4.503812	3.760393	4.278188	4.468632	4.138989	4.230003

Graph

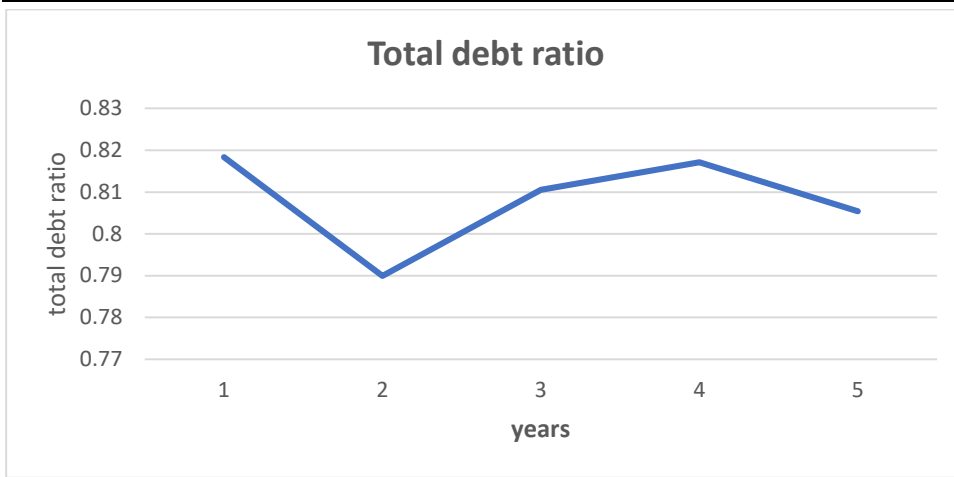


TOTAL DEBT RATIO

Table

year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	average
(sum of secured loan and unsecured loan = total debt)						
secured loan	6489.11	4200.2	5941.62	7819.36	8170.55	
unsecured loan	10646.59	8153.18	9623.54	12782.91	14398.49	
total debt	17135.7	12353.38	15565.16	20602.27	22569.04	17645.11
(sum of capital,reserves&surplus,secured loan,unsecured loan=capital employed)						
capital	2163.31	1850.43	2064.8	2501.25	2971.15	
reserves&surplus	1641.4	1434.7	1573.46	2109.17	2481.64	
secured loan	6489.11	4200.2	5941.62	7819.36	8170.55	
unsecured loan	10646.59	8153.18	9623.54	12782.91	14398.49	
capital employed	20940.41	15638.51	19203.42	25212.69	28021.83	21803.37
(total debt ratio = total debt/capital employed)						
total debt ratio	0.818308	0.789933	0.810541	0.817139	0.805409	0.808266

Graph

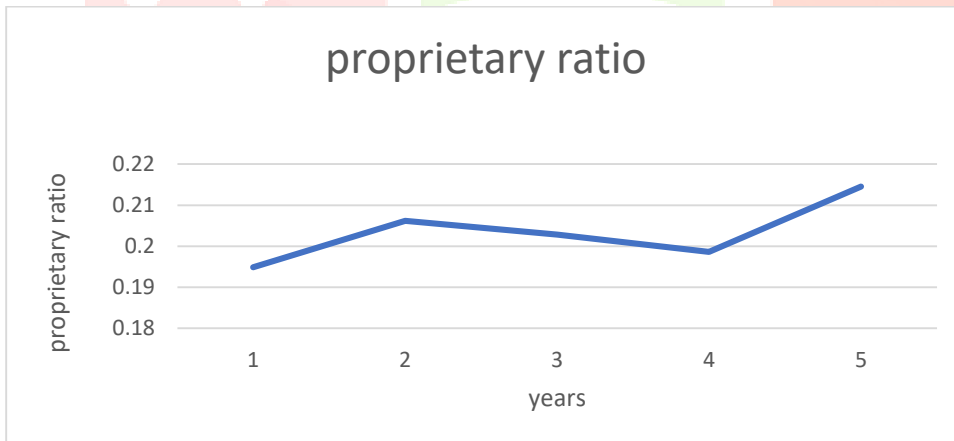


PROPRIETARY RATIO

Table

year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	average
(sum of capital and reserves&surplus= shareholder's fund)						
capital	2163.31	1850.43	2064.8	2501.25	2971.15	
reserves&surplus	1641.4	1434.7	1573.46	2109.17	2481.64	
shareholder's fund	3804.71	3285.13	3638.26	4610.42	5452.79	4158.262
(sum of fixed asset and current asset= total tangible asset)						
current assets	18234.53	14845.6	16719.92	21761.08	23869.59	
fixed assets	1288.34	1089.83	1219.16	1448.71	1550.33	
total tangible assets	19522.87	15935.43	17939.08	23209.79	25419.92	20405.42
(proprietary ratio= sharholder's fund/total tangible asset)						
proprietary ratio	0.194884768	0.20615258	0.202811961	0.19864118	0.214509	0.2034

Graph

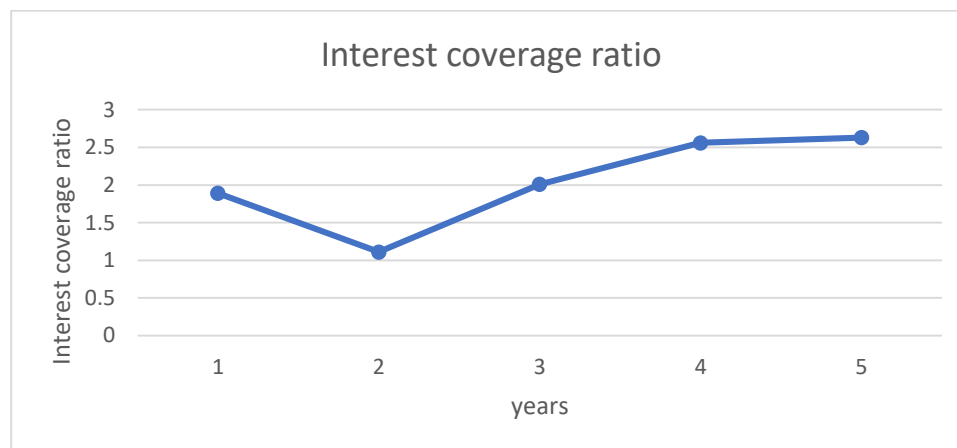


INTEREST COVERAGE RATIO

Table

1	A	B	C	D	E	F	G	H
1	year	net profit before interest and tax			fixed interest charges		interest coverage ratio	
2		(in lakhs)			(in lakhs)			
3								
4	2018-2019	7344.11			3885.77		1.890001	
5	2019-2020	5061.62			4560.01		1.110002	
6	2020-2021	7119.73			3542.15		2.010002	
7	2021-2022	10399.83			4062.43		2.560002	
8	2022-2023	12262.87			4662.68		2.630005	
9								
10	average	8437.632			4142.608		2.040002	
11	(interest coverage ratio = net profit before interest&tax / fixed interest charges)							
12								

Graph



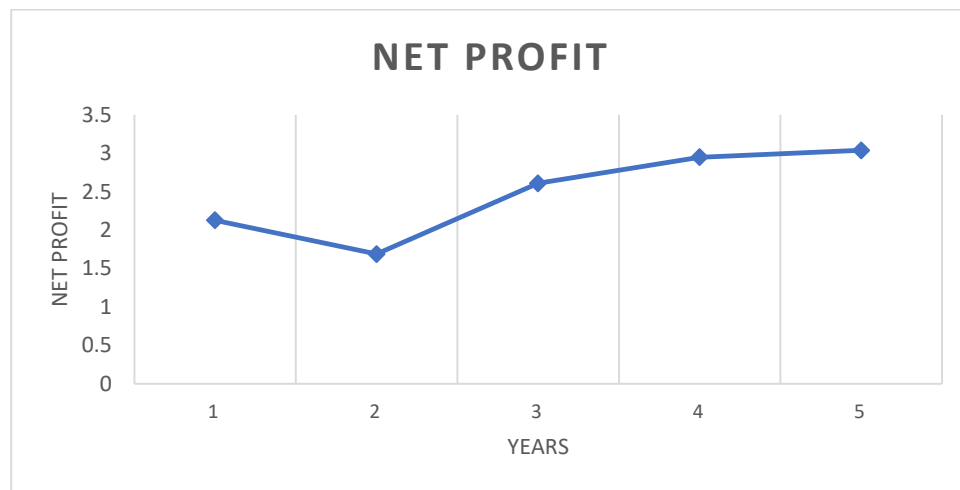
PROFITABILITY RATIOS

NET PROFIT RATIO

Table

1	A	B	C	D	E	F	G	H	I
1	year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023			average
2									
3	(difference of net profit before interest&tax and interest & tax=net profit after interest & tax)								
4	net profit before								
5	interest and taxes	7344.11	5061.62	7119.73	10399.83	12262.87			
6	interest and taxes	3885.77	4560.01	3542.15	4062.43	4662.68			
7	net profit after								
8	interest and taxes	3458.34	501.61	3577.58	6337.4	7600.19			4295.024
9									
10	net sales	162363.4	29681.06	137072	214827.1	250006.3			82473.93
11									
12	(net profit ratio =net profit after interest and taxes / net sales*100)								
13	net profit ratio	2.13	1.69	2.61	2.95	3.04			1.034
14									

Graph

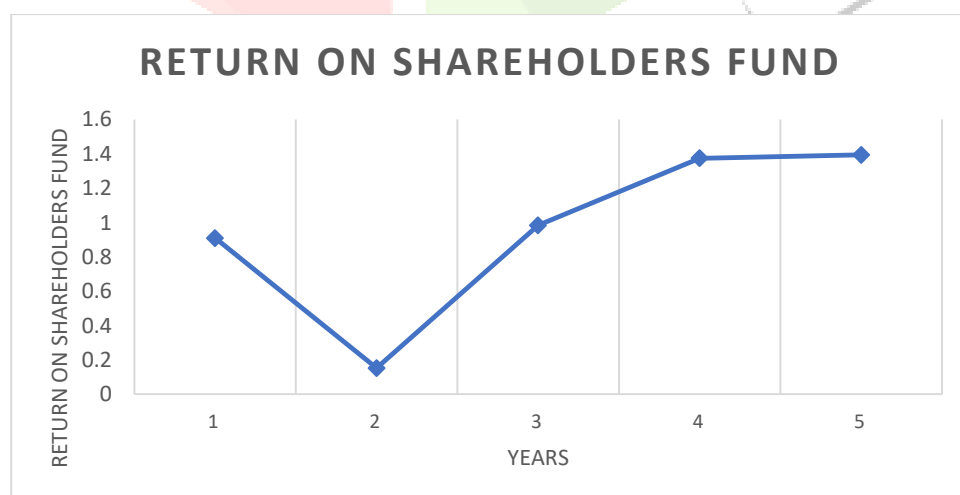


RETURN ON SHAREHOLEDER’S FUND RATIO

Table

year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	average
(net profit before interest and taxes - interest and taxes= net profit after interest and taxes)						
net profit before interest and taxes	7344.11	5061.62	7119.73	10399.83	12262.87	
interest and taxes	3885.77	4560.01	3542.15	4062.43	4662.68	
net profit after interest and taxes	3458.34	501.61	3577.58	6337.4	7600.19	4295.024
(sum of capital and reserves & surplus= shareholder's fund)						
capital	2163.31	1850.43	2064.8	2501.25	2971.15	
reserves&surplus	1641.4	1434.7	1573.46	2109.17	2481.64	
shareholder's fund	3804.71	3285.13	3638.26	4610.42	5452.79	4158.262
(return on shareholder's fund ratio=net profit after interest and taxes / shareholder's fund)						
return on share holder's fund ratio	0.908963	0.152691	0.983322	1.374582	1.393817	0.962675

Graph

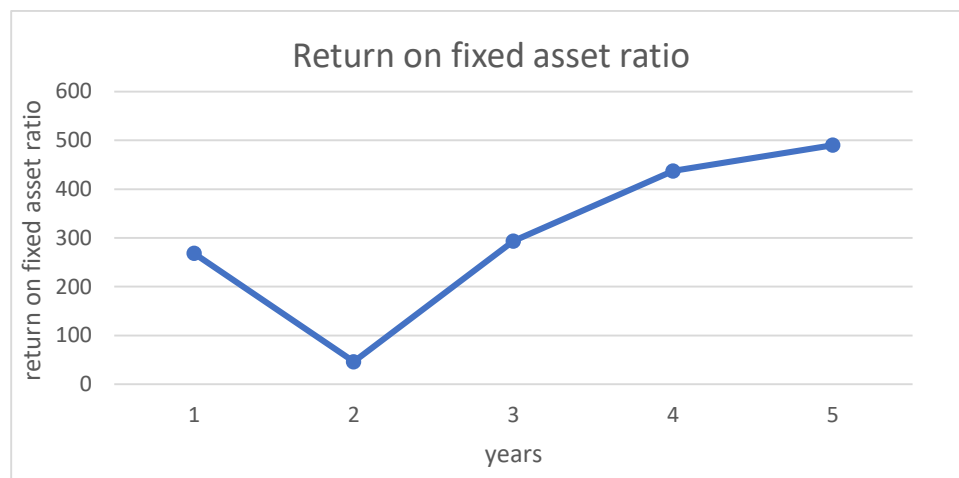


RETURN ON FIXED ASSET RATIO

Table

	A	B	C	D	E	F	G	H	I	J
1	year		2018-2019	2019-2020	2020-2021	2021-2022	2022-2023		average	
2										
3	(net profit before interest and taxes - interest and taxes= net profit after interest and taxes)									
4	net profit before									
5	interest and taxes		7344.11	5061.62	7119.73	10399.83	12262.87			
6	interest and taxes		3885.77	4560.01	3542.15	4062.43	4662.68			
7	net profit after									
8	interest and taxes		3458.34	501.61	3577.58	6337.4	7600.19		4295.024	
9										
10	fixed asset		1288.34	1089.83	1219.16	1448.71	1550.33		1319.274	
11										
12	(return on fixed asset ratio = net profit after interest and tax / fixed asset *100)									
13	return on fixed									
14	asset ratio		268.4338	46.02644	293.4463	437.4512	490.2305		307.1177	

Graph



RETURN ON TOTAL ASSESTS RATIO

Table

	A	B	C	D	E	F	G	H	I	
1	year		2018-2019	2019-2020	2020-2021	2021-2022	2022-2023		average	
2										
3	(net profit before interest and taxes - interest and taxes= net profit after interest and taxes)									
4	net profit before									
5	interest and taxes		7344.11	5061.62	7119.73	10399.83	12262.87			
6	interest and taxes		3885.77	4560.01	3542.15	4062.43	4662.68			
7	net profit after									
8	interest and taxes		3458.34	501.61	3577.58	6337.4	7600.19		4295.024	
9										
10	(sum of fixed asset and current asset= total asset)									
11	current asset		18234.53	14845.6	16719.92	21761.08	23869.59			
12	fixed asset		1288.34	1089.83	1219.16	1448.71	1550.33			
13	total asset		19522.87	15935.43	17939.08	23209.79	25419.92		20405.42	
14										
15	(return on total asset ratio=net profit after interest and tax / total asset)									
16	return on total									
17	asset ratio		0.177143	0.031478	0.199429	0.273049	0.298986		0.196017	
18										

Graph

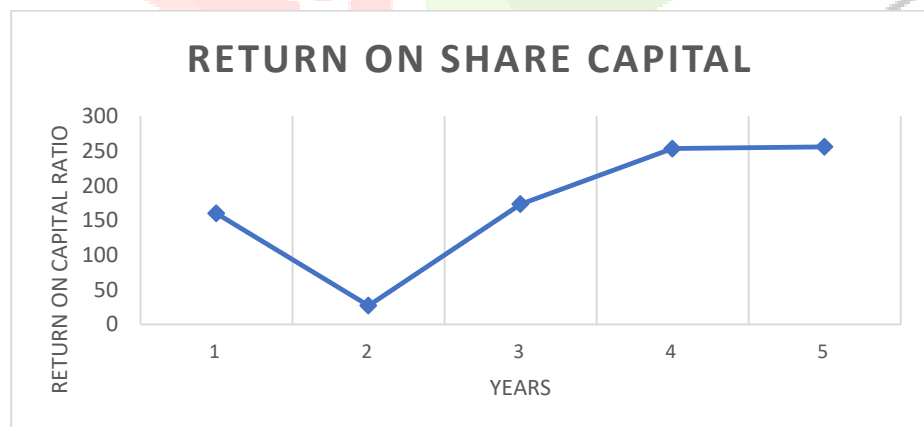


RETURN ON SHARE CAPITAL RATIO

Table

	A	B	C	D	E	F	G	H	I
1	year		2018-2019	2019-2020	2020-2021	2021-2022	2022-2023		average
2									
3			(net profit before interest and taxes - interest and taxes= net profit after interest and taxes)						
4	net profit before								
5	interest and taxes		7344.11	5061.62	7119.73	10399.83	12262.87		
6	interest and taxes		3885.77	4560.01	3542.15	4062.43	4662.68		
7	net profit after								
8	interest and taxes		3458.34	501.61	3577.58	6337.4	7600.19		4295.024
9									
10	share capital		2163.31	1850.43	2064.8	2501.25	2971.15		2310.188
11									
12			(return on share capital ratio = net profit after interest and tax / share capital*100)						
13	return on share								
14	capital ratio		159.8634	27.10775	173.2652	253.3693	255.7996		173.881

Graph

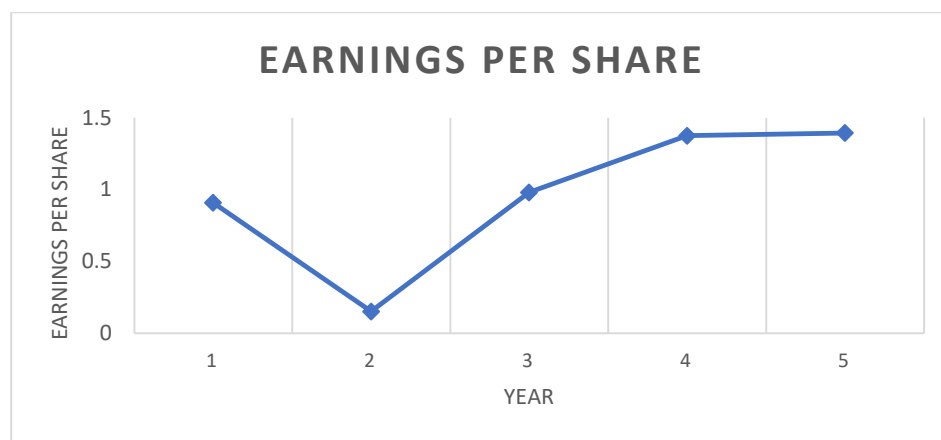


EARNINGS PER SHARE

Table

year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	average
(net profit before interest and taxes - interest and taxes= net profit after interest and taxes)						
net profit before interest and taxes	7344.11	5061.62	7119.73	10399.83	12262.87	
interest and taxes	3885.77	4560.01	3542.15	4062.43	4662.68	
net profit after interest and taxes	3458.34	501.61	3577.58	6337.4	7600.19	4295.024
number of equity shares	3804.71	3285.13	3648.01	4610.42	5452.79	4160.212
(EPS ratio= net profit after interest and tax / number of equity share)						
EPS ratio	0.908963	0.152691	0.980694	1.374582	1.393817	0.962149

Graph



FINDINGS AND SUGGESTIONS

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.

Debt Equity Ratio:

Shareholder's fund increased from 3,804.71 lakhs to 5,452.79 lakhs, indicating growth in equity base. Outsider's fund rose from 17,135.7 lakhs to 22,569.04 lakhs, reflecting reliance on external financing.

Proprietary Ratio:

Shareholder's fund increased from 3,804.71 lakhs to 5,452.79 lakhs, indicating growth in equity base, enhancing financial stability. Total tangible assets rose from 19,522.87 lakhs to 25,419.92 lakhs, reflecting an expanded asset base.

Interest Coverage Ratio:

Net profit before interest and tax increased from 7,344.11 lakhs to 12,262.87 lakhs, suggesting improved operational profitability. Fixed interest charges exhibited some variability, averaging approximately 4,142.608 lakhs.

Profitability Ratios:

Shareholder's fund fluctuated but averaged around 4,158.262 lakhs. Total tangible assets also fluctuated but averaged approximately 20,405.418 lakhs.

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. Analyse reasons behind significant increases in 2021-2022 and 2022-2023 to optimize liabilities, including accounts payable, short-term debt, and accrued expenses.

Debt Equity Ratio:

Evaluate the company's level of financial leverage and its impact on risk management. Consider if the average debt equity ratio of approximately 4.23 aligns with long-term objectives. Assess cash flow, profitability, and liquidity to ensure debt servicing capability, and explore debt maturity profiles and refinancing options.

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 Remodelling 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:

Bicelli Geco Hydraulics' financial analysis from 2018-2019 to 2022-2023 indicates satisfactory growth in total assets and liabilities, reflecting positive financial health. Liquidity and solvency positions are secure, evident from stable current and quick ratios, reassuring investors with a favourable debt equity ratio. However, fluctuating profitability has resulted in a lack of dividend payments for five years. While notable, addressing profitability fluctuations and reducing risk exposure are essential for sustained growth. Positive growth rates in current and liquid assets, along with current liabilities and investments, suggest promising operational activities.

