

Financial Concert of BHEL using Financial Ratios- A Case Study

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DOI: [10.36348/sjbms.2020.v05i03.007](https://doi.org/10.36348/sjbms.2020.v05i03.007)

| Received: 14.03.2020 | Accepted: 21.03.2020 | Published: 27.03.2020

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Abstract

This paper furnishes a financial synopsis of BHEL through financial ratios. BHEL is India's biggest engineering and manufacturing company of its kind occupied in the design, engineering, manufacture, construction, testing, commissioning and servicing of a wide range of products and services for the core sectors of the economy, viz. Power, Transmission, Industry, Transportation, Renewable Energy, Oil & Gas and Defense. Ratio analysis is one of procedure used to measure the financial position of the company in the four main characteristic liquidity, solvency, turnover and profitability. The main goal of this paper is to interpret the financial performance of BHEL, along with BHEL's financial performance is compared with its peers BMEL, L&T, PUNJLLYOD, THERMAX can be understood.

Keywords: Altman, Working Capital, Retained Earning & Total Assets.

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INTRODUCTION

This paper gives a financial outline of BHEL, BHEL is India's biggest engineering and assembling organization of its sort occupied with the plan, engineering, fabricate, development, testing, authorizing and overhauling of a wide scope of items and administrations for the center segments of the economy, viz. Power, Transmission, Industry, Transportation, Sustainable power source, Oil and Gas and Guard. Ratio analysis is one of system used to quantify the financial situation of the organization in the four primary viewpoints liquidity, solvency, turnover and profitability. The fundamental goal of this paper is to translate the financial performance of BHEL, Visakhapatnam. Likewise, BHEL's financial performance is contrasted and its friends BMEL, L&T, PUNJLLYOD, THERMAX can be comprehended. Financial well being of the company is foremost important in the global competition. If the organization neglects to keep up the financial situation in long run it cannot survive in the market. This paper breaks down the financial health of the company with the assistance of Z score model. Several studies has shows that Altman model has anticipated the business disappointments in time; it will be exceptionally useful for the administration to make

remedial move. Recruitment is a center capacity in Human Asset the executives. Effective recruitment, determination and placement practices are key segments at the section purpose of HR in an organization. Organizations are actualizing most recent innovation in the recruitment procedure. There employees are given a meeting, serenely at their home with an internet association and a web cam through I-Studio a video based stage by the organization. Recruitment procedure finishes after placement offered to the competitor. A decent recruitment procedure encourages the organization to locate a potential and attainable employee for the improvement of the organization. This article centers around the various wellsprings of recruitment pursued by the organization so as to draw in the ability and experience employees to accomplish the objectives. It likewise dissected on placement given to the employees are true to form by them. The article reasons that dominant parts of employees are exceptionally happy with the recruitment and placement procedure pursued by the organization. In this investigation the operation work in the human asset office are dissected through commitment of employees and their supposition about the capacity performed by the employees and their feeling about the capacity performed by the HR division in Bharat Overwhelming

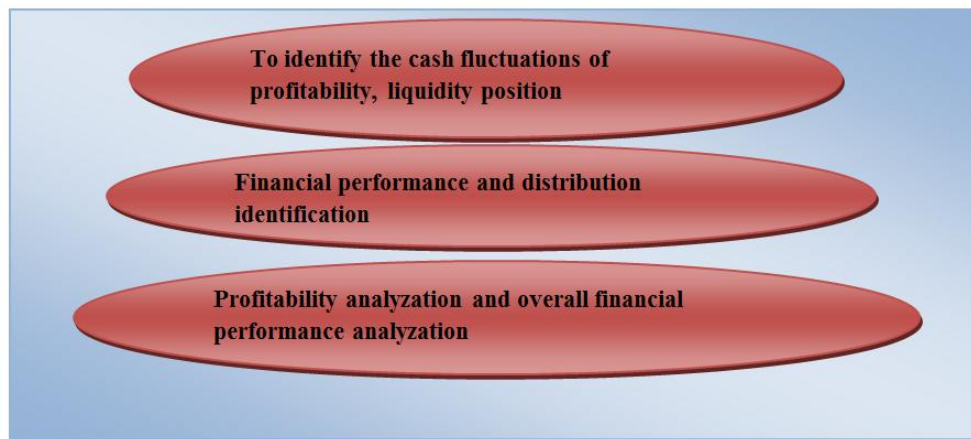
Electricals Constrained (BHEL), Ramchandrapuram, and Hyderabad. The employees in the organization are legitimately met and related information's were gathered through poll. The investigation was led to know the impact of employee welfare facilities on employee work satisfaction. Welfare is the arrangement of an insignificant level of prosperity and social help for all natives. Organization gives welfare facilities to their employees to keep their motivation levels high. The essential goal of the examination is to gauge the levels of satisfaction of employees with respect to welfare facilities and to recommend a few measures for improving welfare measures in organization. Analysts were bolstered by inspecting 100 employees from different divisions. Information was gathered through the organized welfare measures poll. The information's are investigated through parentage analysis and connection technique. So as to assess financial condition and performance of a firm, the financial examiner needs certain instruments to be applied on different financial viewpoints. One of the generally utilized and powerful apparatuses is ratio or file.

Ratios analysis is the mode toward deciding and showing in arithmetical terms the connections

figures and gatherings of figures drawn from these announcements. A ratio communicates the outcomes based on correlation of two figures in numerical terms. A ratio is a factual measuring stick that gives a proportion of connection between two accounting figures. It portrays the noteworthy relationship which exists between figures appears on an asset report in a benefit and misfortune account in a budgetary control framework or in any of the piece of accounting organization." The ratio is usually communicated in following ways:

1. It might be acquired by isolating one incentive by other. This articulation is known as "Times".
2. On the off chance that hundred, at that point the unit of increase the above articulation moves toward becoming rate.
3. It might be communicated as "extent" between the two figures or known as unadulterated ratio.
4. It might likewise be portrayed as charts like ratio diagram.

AIM OF RATIOS ANALYSIS



REVIEW OF LITERATURE

Jagannadha Rao [1] in his investigation expresses that there is poor condition of financial performance of the organization is the combined consequence of negative factors, for example, nonstop low limit use of the units, fall in sugar recuperation in a portion of the units, poor operational performance, high stick cost prompted by the State Government and paid up by the organization, low toll cost of sugar. Solution for the poor financial performance is somewhat a fabulous undertaking. Not all-sided approach is required: better the operational performance of the sugar units especially the wiped out units, paying sensibly high stick value, diminishing the cost of creation by improving limit use, and exploiting free amount to make great the misfortunes endured because of low duty cost.

Amit Kumar Srivastava *et al.*, [2] have recommended that today the business house understood that they would need to ascend far beyond the profitability and deal with each one of those related with their endurance in the general public legitimately or in a roundabout way. So they entitled the contextual analysis of the Goodbye bunch under IRJBM. Mr. Ratan was Good bye who exemplified the awareness of other's expectations towards the up-liftmen of regular masses and security of the earth and improvement of the country. Each business house owes some duty towards the general public, country and world when all is said in done which give everything human, material and characteristic assets.

Bidhu Kanti Das and P. K. Halder [3] have suggested that business work in a situation in which cultural concerns have been given top need. Aside from magnanimity open division corporate houses are

intrigued for social limit working, through giving preparing and educational facilities to the more fragile segment of the general public, creating pioneering expertise among the young, and attempting to make individuals independently employed by giving facilities to the penniless. Along these lines each business organization should approach and attempt exercises identifying with the social improvement.

Gautam P. Kanani [4] has prescribed that the idea of corporate social duty would be perfect beginning ground for the applied advancement of appropriate corporate strategic approaches for developing markets. The absence of worry for the nearby network, the customers and the earth by these corporations has made huge scale open discussion and activity.

Kavitha Shanmugam [5] has tried to explore the status of corporate social obligation exercises identifying with 'condition' in Indian assembling area. She found that the development of condition corporate social duty as corporate spotlight likewise gave recommendations on upgrade of condition corporate social obligation in the Indian assembling units. Organizations can improve their natural corporate social duty by expanding their tree ranch exercises inside and outside their premises and furthermore embraced coordinated watershed advancement.

Prasad S. Madan and M. A. Bansode [6] have suggested that corporate social duty is about how organizations deal with the business procedures to create a general positive effect on society. Corporate duty has risen as a critical subject in the worldwide business network and is bit by bit turning into a standard action. The developing accentuation on corporate duty is influencing the connection among organizations and their different partners, for example, financial specialists, clients, sellers, providers, employees, networks and governments.

Revathy, B [5] has investigated that one of mankind's most prominent difficulties in this century is to guarantee practical and adjusted improvement. The necessities of current and future generations can't be met except if there is regard for normal frameworks and universal principles securing center social and ecological qualities and in this manner entitled. She proposed the inclination for corporate social duty, its potential advantages and furthermore the proposals to precious stone look the eventual fate of corporate social obligation in India.

Swapna P [7] has endeavored the parts of social duty of the business in light of work welfare with

extraordinary reference to Singareni Collieries Organization restricted. The linkages and the moral considerations associated with employee welfare have been tended to with suggestions for work welfare. The idea of social obligation in its limited forms has been likened with financial welfare.

Mr. B. Prasada Rao [8], was designated as the Executive and Overseeing Chief on October 1, 2009. Mr. Rao is a B.Tech (Mech) from Jawaharlal Nehru Innovative College, Kakinada, Andhra Pradesh and did his post graduate recognition in 'Mechanical Engineering' from National Establishment for Preparing in Modern Engineering, Mumbai. He has around 33 years of broadened and differed experience working in every real section of the Organization like corporate, arranging and improvement; gas turbine division, enhancement and vital arranging; and erection and charging and so forth. He began his vocation in BHEL as a mechanical specialist at modern frameworks bunch in 1978 and started the arranging capacity and was in charge of conceptualizing approach for organization of industry division and drawing up an outline for hardware in the Organization. Enhancement activity at 'Gadgets Division' for the Organization's entrance into resistance test systems was initiated by him. He has spoken to India in the Investigation Gathering of World Energy Committee on their drive for creating 'choosing the Future: Energy Approach Situations to 2050'. He is an individual from 'CII – National Board of trustees on Capital Goods and Engineering'. Directly, he is the low maintenance executive of Bharat Overwhelming Plate and Vessels Constrained and has additionally been named as part, First Society and Leading body of Governors, IIM-Kashipur.

Mr. Anil Sachdev [9], was accepted as Chief (HR) on September 01, 2007. He is a B.E (Mechanical Engineering) from Jabalpur College, Jabalpur and holds a level of Bosses in Business Administration underway administration from CRIBM, Bhopal. He has roughly 32 years of involvement underway at key units of the Organization viz. Bhopal and Haridwar. During his residency at Haridwar, he was dependable as head, Focal Foundry Fashion Plant, Haridwar ("CFFP"), for the turnaround of the CFFP in a limited capacity to focus two and half years. His initiative as 'Official Chief' helped Substantial Electrical Hardware Plant, Haridwar to record an unequaled high turnover in 2006-07 and it additionally turned into the main unit of the Organization to be granted the 'CII EXIM Bank Grant for Business Greatness'. As Executive (HR) of the Organization, he has assumed a job in equipping the Organization to fulfill the substantial needs from the power part and expanding rivalry from new players inside the nation and abroad.

DATA ANALYSIS AND INTERPRETATION

Table-1: Total Current Assets

<i>Financial Year</i>	<i>Inventory</i>	<i>Sundry debtors</i>	<i>Cash and Bank</i>	<i>Other current assets</i>	<i>Loans & Advance</i>	<i>Total Current Assets</i>
2011-12	13548.73	35740.55	6671.98	150.61	3011.82	59123.69
2012-13	11763.83	39888.21	7732.05	199.98	2934.45	62518.51
2013-14	9797.55	39952.99	11872.93	252.52	3191.00	65066.99
2014-15	10105.10	37637.32	9812.70	175.03	3440.26	61170.41
2015-16	9637.39	35603.05	10085.99	122.08	3164.81	58613.32

Source: Secondary data collected using MS-Excel 2010

Total Current assets = Inventory + Sundry debtors + Cash and Bank + Other current assets + Loans and Advances

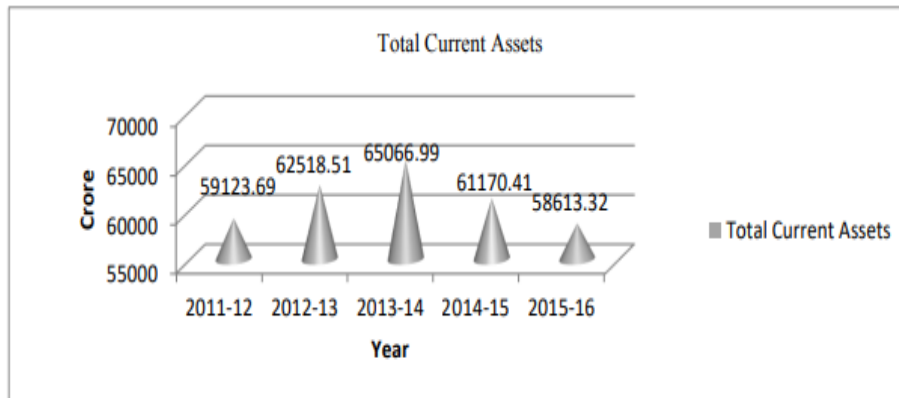


Chart-1: Total Current Assets

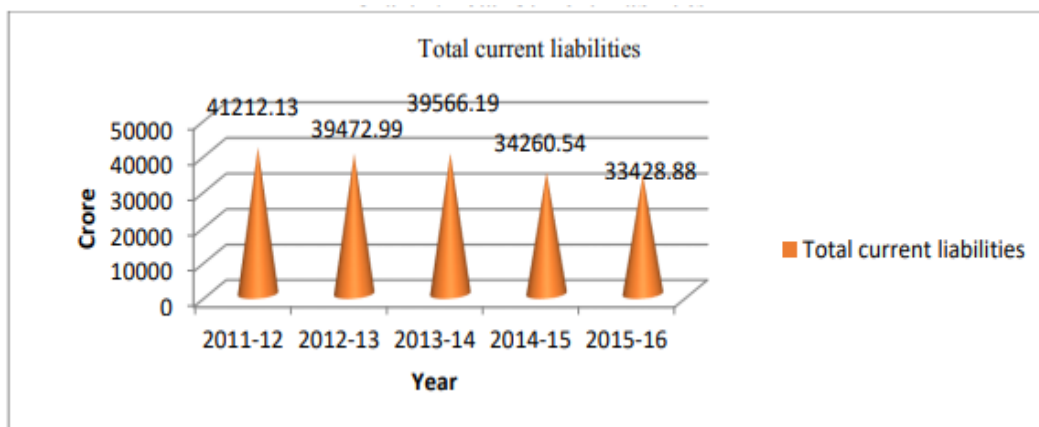
Source: Secondary data collected using MS-Excel 2010

Table-2: Total Current Liabilities

<i>Financial Year</i>	<i>Current liabilities</i>	<i>Provisions</i>	<i>Total current liabilities</i>
2011-12	33570.76	7641.37	41212.13
2012-13	30530.86	8942.13	39472.99
2013-14	29240.17	10326.02	39566.19
2014-15	23220.10	11040.44	34260.54
2015-16	21988.09	11440.79	33428.88

Source: Secondary data collected using MS-Excel 2010

Current liabilities = Current liabilities + Provisions **Chart 4.2: Total Current Liabilities**



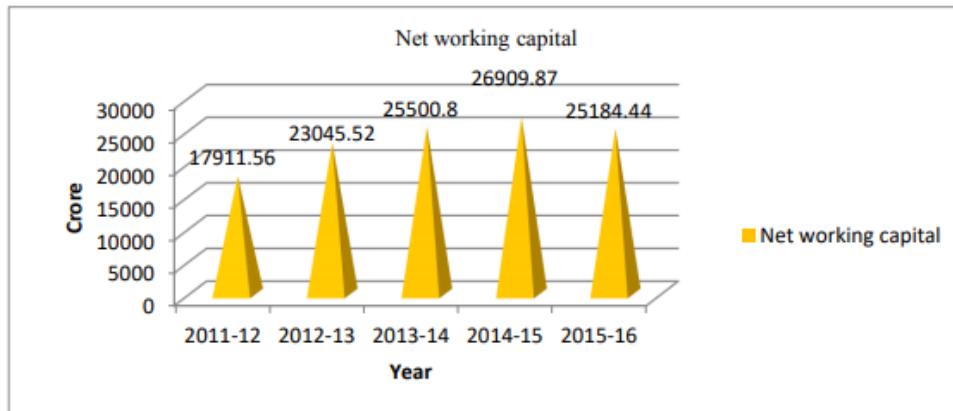
Source: Secondary data collected using MS-Excel 2010

Table-3: Net Working Capital

<i>Financial Year</i>	<i>Total current assets</i>	<i>Total current liabilities</i>	<i>Net working capital</i>
2011-12	59123.69	41212.13	17911.56
2012-13	62518.51	39472.99	23045.52
2013-14	65066.99	39566.19	25500.80
2014-15	61170.41	34260.54	26909.87
2015-16	58613.32	33428.88	25184.44

Source: Secondary data collected using MS-Excel 2010

Chart-3: Net working capital = Total current assets – Total current liabilities



Source: Secondary data collected using MS-Excel 2010

Table-4: Inventory Turnover Ratio

<i>Financial Year</i>	<i>Cost of Goods Sold w/o WIP/FG</i>	<i>Average Inventory</i>	<i>Inventory Turnover Ratio</i>
2011-12	39979.44	12255.88	3.26
2012-13	40482.56	12656.28	3.20
2013-14	34137.34	10780.69	3.17
2014-15	29053.42	9951.33	2.92
2015-16	27825.9	9871.25	2.82

Source: Secondary data collected using MS-Excel 2010

Inventory turnover ratio = Cost of Goods Sold/ Average inventory

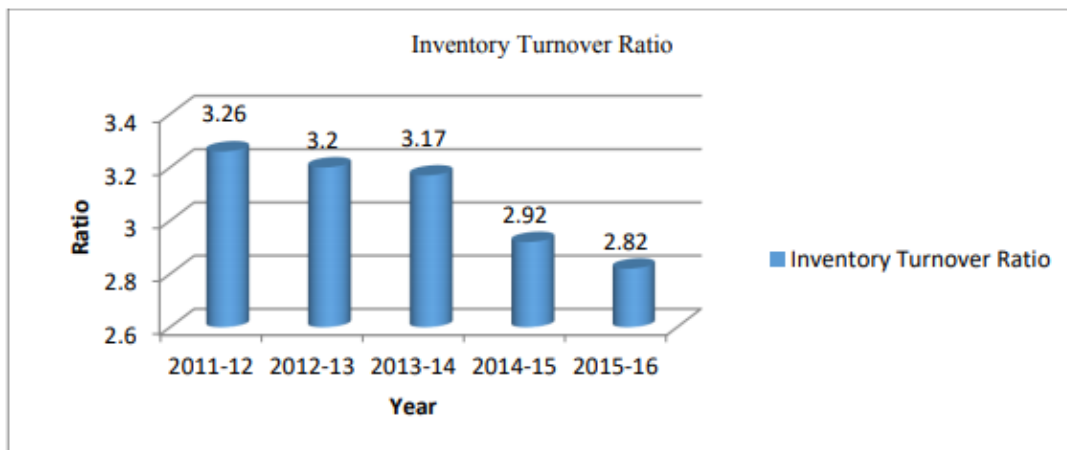


Chart-4: Inventory Turnover Ratio

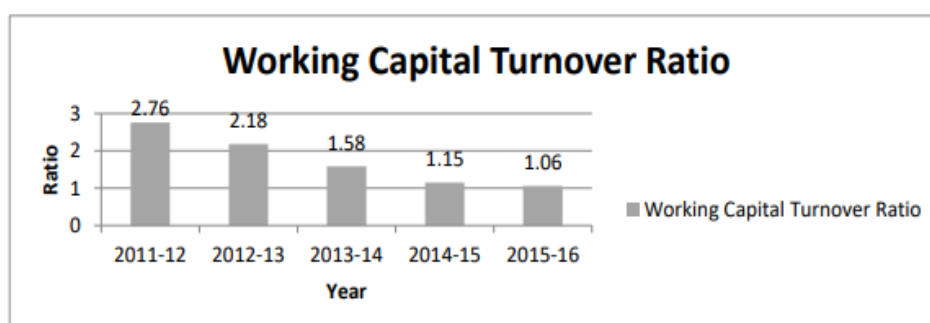
Source: Secondary data collected using MS-Excel 2010

Table-5: Working Capital Turnover Ratio

<i>Financial Year</i>	<i>Sales</i>	<i>Net Working Capital</i>	<i>Working Capital Turnover Ratio</i>
2011-12	49509.78	17911.56	2.76
2012-13	50156.48	23045.52	2.18
2013-14	40337.92	25500.80	1.58
2014-15	30947.04	26909.87	1.15
2015-16	26586.51	25184.44	1.06

Source: Secondary data collected using MS-Excel 2010

Working capital turnover ratio = Sales/ Net working capital

**Chart-5: Working Capital Turnover Ratio**

Source: Secondary data collected using MS-Excel 2010

Table-6: Statement of Working Capital

<i>Particulars</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>
Current assets					
Inventories	13548.73	11763.82	9797.55	10105.10	9637.39
Sundry Debtors	35740.55	39888.21	39952.99	37637.32	35603.05
Cash & Bank	6671.98	7732.05	11872.93	9812.70	10085.99
Other current assets	150.61	199.98	252.52	175.03	122.08
Loans & Advances	3011.82	2934.45	3191.00	3440.26	3164.81
Total Current Assets	59123.69	62518.51	65066.99	61170.41	58613.32
Current liabilities					
Current liabilities	33570.76	30530.86	29240.17	23220.10	21988.09
Provisions	7641.37	8942.13	10326.02	11040.44	11440.79
Total Current Liabilities	41212.13	39472.99	39566.19	34260.54	33428.88
Net Working Capital	17911.56	23045.52	25500.80	26909.87	25184.44

SUMMARY AND CONCLUSION

From the above Table-1 and diagram 1 shows looking at past five years of information, 2013-multi years has the best since complete current resource is high in year than the other four years. This demonstrates the organization had earned high deals than the others. A year ago, the organization has low all out current resources. So unquestionably deals additionally ought to turn out to be low. One year from now the organization need to expand the deals. From the above Table-2 and Chart-2 contrasting the five years of information, 2011-2012 has the high current liabilities yet a year ago the current liabilities decreased. Obligations aren't useful for organization, if the organization have the low obligation the hazard to turn out to be low. From the above Table-3 and Chart-3, the

working capital turnover measures the proficiently with the working capital is being utilized by a firm. A high ratio demonstrates usage of working capital and a low ratio shows generally. However, a high working capital turnover ratio must make an absence of adequate working capital which isn't in a decent circumstance. From the above outline the net working capital is diminished in the year 2015-2016 yet think about all the year 2014-2015 has the high net working capital. From the above Table-4 and diagram 4 shows, this ratio demonstrates whether the interests in current resources or net current resources (i.e., working capital) have been appropriately used. At the end of the day, the diagram shows the connection among turnover and working capital. Higher the ratio shows bring down the interest in working capital and higher is the profitability. In any

case, these days profitability is decline in BHEL organization according to the above Chart. From the above Table-5 and Chart-5, the working capital turnover ratio measures the productively with the working capital is being utilized by a firm. A high ratio demonstrates use of working capital and a low ratio shows generally. Yet, an extremely high working capital turnover ratio must make an absence of adequate working capital which isn't in a decent circumstance. From the above Chart the working capital turnover ratio is diminished in the year 2015-2016. Profitability and liquidity management is of vital importance in financial management decision. After analyzing and interpreting the above 6 ratios we can say that the liquidity situation of THERMAX&BEML is good quality. The solvency position of BHEL & PUNJLLYOD is acceptable. The operating efficiency of THERMAX is good quality. The profitability position of L&T is satisfactory. So the overall financial performance of can be based on the profits of the company.

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