



# International Journal of Research Publication and Reviews

Journal homepage: [www.ijrpr.com](http://www.ijrpr.com) ISSN 2582-7421

## A Study on Financial Analysis of Bharat Heavy Electricals Limited (BHEL)

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### ABSTRACT

This research paper presents an in-depth financial analysis of Bharat Heavy Electricals Limited (BHEL), a Navratna Public Sector Undertaking (PSU) operating under the Ministry of Heavy Industries, Government of India. The study uses secondary data from the company's financial statements to assess its performance over the period 2019–2023. By employing financial ratio analysis, including profitability, liquidity, and efficiency ratios, the paper aims to determine the financial strengths and weaknesses of BHEL. The study concludes with key insights and strategic suggestions to improve the financial health and competitive position of the company in the engineering and energy sectors.

**Keywords:** BHEL, financial analysis, profitability, current ratio, quick ratio, inventory turnover, EPS, PSU, liquidity

### 1. Introduction

Bharat Heavy Electricals Limited (BHEL) is a leading state-owned engineering and manufacturing company in India. It plays a crucial role in the Indian power sector by supplying critical equipment for power generation and transmission. As India's oldest and largest power plant equipment manufacturer, BHEL's financial performance directly affects the country's infrastructure development and energy security.

In recent years, the company has faced fluctuating financial performance due to economic downturns, global disruptions, and increasing competition. A detailed analysis of BHEL's financials can reveal trends, inefficiencies, and growth opportunities, helping stakeholders and policymakers make informed decisions.

### 2. Objectives of the Study

The key objectives of this research are:

- To evaluate BHEL's financial performance over a five-year period.
- To apply various financial ratios to understand the company's efficiency and stability.
- To analyze trends in profitability, liquidity, and solvency indicators.
- To provide suggestions for improving BHEL's financial and operational outcomes.

### 3. Research Methodology

#### 3.1 Research Design

The research follows a **descriptive design** that includes a detailed analysis of BHEL's financial data from secondary sources.

#### 3.2 Data Collection

- **Secondary Sources:**
  - Annual Reports of BHEL (2019–2023)
  - BHEL official website: [www.bhel.com](http://www.bhel.com)

- Market data: Moneycontrol, NSE/BSE reports
- Financial journals, economic newspapers

### 3.3 Tools Used

- **Ratio Analysis:**
  - Current Ratio
  - Quick Ratio
  - Profit Margin
  - Earnings Per Share (EPS)
  - Inventory Turnover Ratio

## 4. Company Overview

Established in 1964, BHEL operates across three major business sectors:

1. **Power Sector** – Thermal, Nuclear, Hydro, and Gas-based power plants
2. **Industrial Sector** – Equipment for manufacturing, railways, and petrochemical industries
3. **International Business** – Turnkey projects and equipment exports to 70+ countries

**Vision:** To be a world-class engineering enterprise committed to enhancing stakeholder value.

**Mission:** To provide business solutions through quality products, systems, and services in energy and allied sectors.

## 5. Financial Analysis

### 5.1 Current Ratio

Year	Current Assets (₹ Cr)	Current Liabilities (₹ Cr)	Current Ratio
2019	38,372.09	23,030.27	1.67
2020	32,703.53	22,579.05	1.45
2021	28,334.02	20,321.65	1.39
2022	27,861.98	21,371.15	1.30
2023	30,882.28	23,351.44	1.29

**Interpretation:** A decreasing trend signals rising short-term liabilities or a slower growth in liquid assets, which could affect short-term solvency.

### 5.2 Quick Ratio

Year	Quick Assets (₹ Cr)	Current Liabilities (₹ Cr)	Quick Ratio
2019	30,574.8	23,030.27	1.30
2023	23,326.38	23,351.44	0.99

**Interpretation:** The quick ratio has decreased over the years, indicating potential strain on liquidity without inventory support.

### 5.3 Profit Margin

Year	PAT (₹ Cr)	Net Sales (₹ Cr)	Profit Margin (%)
2019	1208.65	31,100.32	3.88

**Year PAT (₹ Cr) Net Sales (₹ Cr) Profit Margin (%)**

2020	-1472.97	22,039.77	-6.68
2021	-2717.14	17,678.28	-15.36
2022	410.25	21,578.90	1.9
2023	447.5	23,879.75	1.8

**Interpretation:** Despite an increase in revenue, profit margins remain low, suggesting rising operational costs or low pricing power.

**5.4 Earnings Per Share (EPS)****Year PAT (₹ Cr) No. of Shares (Cr) EPS (₹)**

2019	1208.75	69.641	17.35
2020	-1472.97	69.641	-21.15
2021	-2717.4	69.641	-39.03
2022	410.24	69.641	5.89
2023	447.75	69.641	6.43

**Interpretation:** The EPS has improved, reflecting recovery after consecutive years of negative returns.

**5.5 Inventory Turnover Ratio****Year Avg Inventory (₹ Cr) COGS (₹ Cr) Ratio**

2019	7,028.03	12,132.96	1.73
2023	6,658.06	6,279.46	0.94

**Interpretation:** Low inventory turnover indicates slow sales or overstocking, reducing operational efficiency.

**6. Major Findings**

- Revenue increased in 2023, but profit margins declined.
- Current and quick ratios are declining, indicating marginal liquidity pressure.
- EPS recovered in 2023 but remains well below 2019 levels.
- Inventory efficiency needs improvement; lower turnover reflects inefficiency or weak demand.
- BHEL remains debt-free, showing strong long-term solvency.

**7. Suggestions**

- **Enhance Operational Efficiency:** Automation, lean practices, and better inventory control.
- **Expand International Presence:** Leverage export potential through strategic tie-ups.
- **Cost Optimization:** Focus on reducing fixed and administrative costs.
- **Digital Transformation:** Strengthen IT infrastructure for better forecasting and analytics.
- **Human Resource Development:** Upskilling and training programs for better output.

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## 8. Conclusion

BHEL continues to be a major player in India's industrial and power sector. While the company has demonstrated resilience with revenue and EPS growth, the dip in profit margins and liquidity signals areas that need attention. By adopting operational improvements, controlling costs, and investing in innovation, BHEL can stabilize its profitability and strengthen its financial foundation.

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