

Vol 3 Issue 12 Sept 2014

ISSN No : 2249-894X

*Monthly Multidisciplinary
Research Journal*

*Review Of
Research Journal*

Chief Editors

Ashok Yakkaldevi
A R Burla College, India

Flávio de São Pedro Filho
Federal University of Rondonia, Brazil

Ecaterina Patrascu
Spiru Haret University, Bucharest

Kamani Perera
Regional Centre For Strategic Studies,
Sri Lanka

Welcome to Review Of Research

RNI MAHMUL/2011/38595

ISSN No.2249-894X

Review Of Research Journal is a multidisciplinary research journal, published monthly in English, Hindi & Marathi Language. All research papers submitted to the journal will be double - blind peer reviewed referred by members of the editorial Board readers will include investigator in universities, research institutes government and industry with research interest in the general subjects.

Advisory Board

Flávio de São Pedro Filho Federal University of Rondonia, Brazil	Delia Serbescu Spiru Haret University, Bucharest, Romania	Mabel Miao Center for China and Globalization, China
Kamani Perera Regional Centre For Strategic Studies, Sri Lanka	Xiaohua Yang University of San Francisco, San Francisco	Ruth Wolf University Walla, Israel
Ecaterina Patrascu Spiru Haret University, Bucharest	Karina Xavier Massachusetts Institute of Technology (MIT), USA	Jie Hao University of Sydney, Australia
Fabricio Moraes de Almeida Federal University of Rondonia, Brazil	May Hongmei Gao Kennesaw State University, USA	Pei-Shan Kao Andrea University of Essex, United Kingdom
Anna Maria Constantinovici AL. I. Cuza University, Romania	Marc Fetscherin Rollins College, USA	Loredana Bosca Spiru Haret University, Romania
Romona Mihaila Spiru Haret University, Romania	Liu Chen Beijing Foreign Studies University, China	Ilie Pinte Spiru Haret University, Romania
Mahdi Moharrampour Islamic Azad University buinzahra Branch, Qazvin, Iran	Nimita Khanna Director, Isara Institute of Management, New Delhi	Govind P. Shinde Bharati Vidyapeeth School of Distance Education Center, Navi Mumbai
Titus Pop PhD, Partium Christian University, Oradea, Romania	Salve R. N. Department of Sociology, Shivaji University, Kolhapur	Sonal Singh Vikram University, Ujjain
J. K. VIJAYAKUMAR King Abdullah University of Science & Technology,Saudi Arabia.	P. Malyadri Government Degree College, Tandur, A.P.	Jayashree Patil-Dake MBA Department of Badruka College Commerce and Arts Post Graduate Centre (BCCAPGC),Kachiguda, Hyderabad
George - Calin SERITAN Postdoctoral Researcher Faculty of Philosophy and Socio-Political Sciences Al. I. Cuza University, Iasi	S. D. Sindkhedkar PSGVP Mandal's Arts, Science and Commerce College, Shahada [M.S.]	Maj. Dr. S. Bakhtiar Choudhary Director,Hyderabad AP India.
REZA KAFIPOUR Shiraz University of Medical Sciences Shiraz, Iran	Anurag Misra DBS College, Kanpur	AR. SARAVANAKUMARALAGAPPA UNIVERSITY, KARAIKUDI,TN
Rajendra Shendge Director, B.C.U.D. Solapur University, Solapur	C. D. Balaji Panimalar Engineering College, Chennai	V.MAHALAKSHMI Dean, Panimalar Engineering College
	Bhavana vivek patole PhD, Elphinstone college mumbai-32	S.KANNAN Ph.D , Annamalai University
	Awadhesh Kumar Shirotriya Secretary, Play India Play (Trust),Meerut (U.P.)	Kanwar Dinesh Singh Dept.English, Government Postgraduate College , solan
		More.....

Address:-Ashok Yakkaldevi 258/34, Raviwar Peth, Solapur - 413 005 Maharashtra, India
Cell : 9595 359 435, Ph No: 02172372010 Email: ayisrj@yahoo.in Website: www.ror.isrj.net



CURRENT RATIO ANALYSIS OF HEAVY ELECTRICAL INDUSTRIES IN INDIA (A Comparative Study between BHEL and Crompton Greaves)

Vineet Singh and Abhinna Srivastava

Assistant Professor, Dept. of Commerce,
Guru Ghasidas Vishwavidyalaya, Bilaspur, Chhattisgarh.

Abstract:

Current ratio is the ratio of current assets of a company to its current liabilities and is used to assess the firm's ability to meet its short-term liabilities on time. The present study is an attempt to analyze the current ratio of Bharat Heavy Electricals Limited (BHEL). For providing a suitable insight into the study a comparison is made between current ratio of BHEL and Crompton Greaves (C.G). Further t-test is applied in order to find out whether there is a significant difference between quick ratio of BHEL and C.G or not.

KEY WORDS:

BHEL, Crompton Greaves, Current Ratio.

INTRODUCTION

Current ratio is the ratio of current assets of a company to its current liabilities. Current assets are the assets which can be converted into cash easily within one year such as debtors, bills receivables, inventory etc. On the other hand current liabilities are the liabilities which are payable within a short period of time normally one year like creditors, bills payable, dividend etc. An ideal current ratio should be 2:1, which means that current assets must be twice the current liabilities. Current ratio is used to assess the firm's ability to meet its short-term liabilities on time.

BHEL stands for *Bharat Heavy Electricals Limited*, is presently India's largest engineering and manufacturing project in the energy-related infrastructure sector with a credit of manufacturing over 180 products under 30 major product groups. It gratifies to foundation sectors of the Indian Economy such as Power Generation and Transmission, Renewable Energy, Transportation, Telecommunication, etc. Company's strong point is its highly trained and dedicated team of more than 6,748 employees where every employee is given an identical opportunity to build up and grow. Incessant training and retraining, well managed career planning, a encouraging work culture and participative approach of management have stimulated enlargement of a committed and motivated workforce setting new benchmark in terms of productivity, quality and responsiveness.

C.G stands for Crompton Greaves, on the other hand, is known as largest private sector enterprise in India especially in the walk of heavy electrical industry. C.G is mainly involved in designing, manufacturing and marketing of sophisticated electrical products and services, which are primarily related to power generation, transmission and distribution process. The company was established in India in the year 1937, since then the company has preserved its leadership in the field of application and effective management of electrical energy. Power systems, industrial systems as well as consumer products are the

Title: "CURRENT RATIO ANALYSIS OF HEAVY ELECTRICAL INDUSTRIES IN INDIA(A Comparative Study between BHEL and Crompton Greaves)", Source: Review of Research [2249-894X] Vineet Singh and Abhinna Srivastava yr:2014 | vol:3 | iss:12

CURRENT RATIO ANALYSIS OF HEAVY ELECTRICAL INDUSTRIES IN INDIA

three central strategic business segments of Crompton Greaves.

OBJECTIVE OF STUDY:

- (i) To estimate the current ratio of BHEL during 2002-2003 to 2011-2012.
- (ii) To estimate the current ratio of C.G during 2002-2003 to 2011-2012.
- (iii) To compare the current ratio of BHEL and C.G during 2002-2003 to 2011-2012.
- (iv) To test whether there is a significant difference between current ratio of BHEL and C.G with the help of t test during 2002-2003 to 2011-2012.

HYPOTHESIS:

Present study is based on following two hypotheses;

H₀ = There is no significant difference between current ratio of BHEL and C.G

H₁ = There is a significant difference between current ratio of BHEL and C.G

RESEARCH METHODOLOGY:

The study is primarily based on secondary data and the relevant information in this regard has been collected from various sources like annual reports and websites of BHEL and Crompton Greaves for the period 2002-2003 to 2011-2012. In addition, various sources have been used to collect the relevant data such as materials from journals, articles, textbooks, working papers and reference books from libraries. The analysis is mainly carried out through various statistical measures like percentage, average, t test etc.

ANALYSIS AND INTERPRETATION:

To make an analysis, current ratio of BHEL and C.G has been calculated by following tables and graphical representation, followed by a comparative study.

Table 1: Current Ratio (BHEL)

Year	Current Assets (BHEL)	Current Liabilities (BHEL)	Current Ratio (BHEL)
2002-2003	8348.40	4756.06	1.76
2003-2004	10424.70	6336.85	1.65
2004-2005	13342.98	8445.89	1.58
2005-2006	16330.78	10320.02	1.58
2006-2007	21062.97	14420.11	1.46
2007-2008	27704.72	19820.84	1.40
2008-2009	36901.07	28332.90	1.30
2009-2010	42934.81	32441.72	1.32
2010-2011	51494.74	38943.37	1.32
2011-2012	48714.94	28722.93	1.70
Average	27726.01	19254.07	1.51

Current Liabilities = Current Liabilities + Provisions

CURRENT RATIO ANALYSIS OF HEAVY ELECTRICAL INDUSTRIES IN INDIA

Fig1: Current Ratio (BHEL)

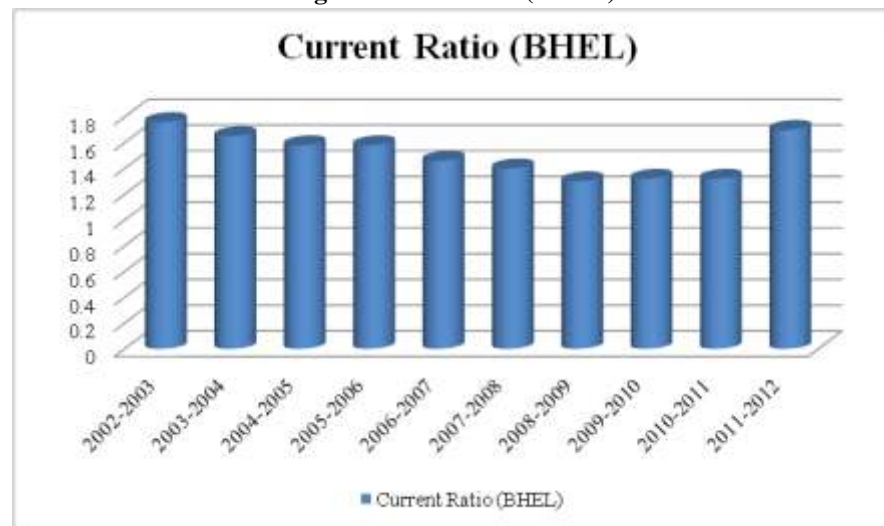


Table 1 reveals the current assets and current liabilities of BHEL during the period of 2002-2003 to 2011-2012 which is helpful in estimating the current ratio of the concern. The current ratio of BHEL stood at an average of 1.51:1 during the study period of 2002-2003 to 2011-2012. In the year 2002-2003 the current assets in BHEL amounted to Rs. 8348.40 crores and current liabilities amounted to Rs. 4756.06 crores which has resulted in current ratio of 1.76:1. In 2003-2004 current assets stood at Rs. 10424.70 crores and current liabilities amounted to Rs. 6336.85 crores which has resulted in current ratio of 1.65:1. In 2004-2005 the current ratio of BHEL stood at 1.58:1, in the same year current assets of BHEL amounted to Rs. 13342.98 crores and current liabilities amounted to Rs. 8445.89 crores. In the year 2005-2006 the current assets amounted to Rs. 16330.78 crores and current liabilities amounted to Rs. 10320.02 crores which has resulted in current ratio of 1.58:1. In the year 2006-2007 the current ratio stood at 1.46:1, in the same year current assets amounted to Rs. 21062.97 crores and current liabilities amounted to Rs. 14420.11 crores. Further in the year 2007-2008 the current assets in BHEL amounted to Rs. 27704.72 crores and current liabilities amounted to Rs. 19820.84 crores which has resulted in current ratio of 1.40:1. In 2008-2009 current assets stood at Rs. 36901.07 crores and current liabilities amounted to Rs. 28332.90 crores which has resulted in current ratio of 1.30:1. In 2009-2010 the current ratio of BHEL stood at 1.32:1, in the same year current assets of BHEL amounted to Rs. 42934.81 crores and current liabilities amounted to Rs. 32441.72 crores. In the year 2010-2011 the current assets amounted to Rs. 51494.74 crores and current liabilities amounted to Rs. 38943.37 crores which has resulted in current ratio of 1.32:1. In the year 2011-2012 the current ratio of BHEL stood at 1.70:1, in the same year current assets of BHEL amounted to Rs. 48714.94 crores and current liabilities amounted to Rs. 28722.93 crores. *BHEL, Crompton Greaves, Current Ratio.*

Table2: Current Ratio (C.G)

Year	Current Assets (C.G)	Current Liabilities (C.G)	Current Ratio (C.G)
2002-2003	856.43	573.91	1.49
2003-2004	894.26	648.25	1.38
2004-2005	890.83	587.23	1.52
2005-2006	1133.69	802.37	1.41
2006-2007	1460.84	1047.42	1.39
2007-2008	1656.23	1295.30	1.28
2008-2009	2085.99	1515.69	1.38
2009-2010	2220.19	1600.17	1.39
2010-2011	2384.99	1698.62	1.40
2011-2012	2818.39	1804.20	1.56
Average	1640.18	1157.32	1.42

CURRENT RATIO ANALYSIS OF HEAVY ELECTRICAL INDUSTRIES IN INDIA

Current Liabilities = Current Liabilities + Provisions

Fig2: Current Ratio (C.G)

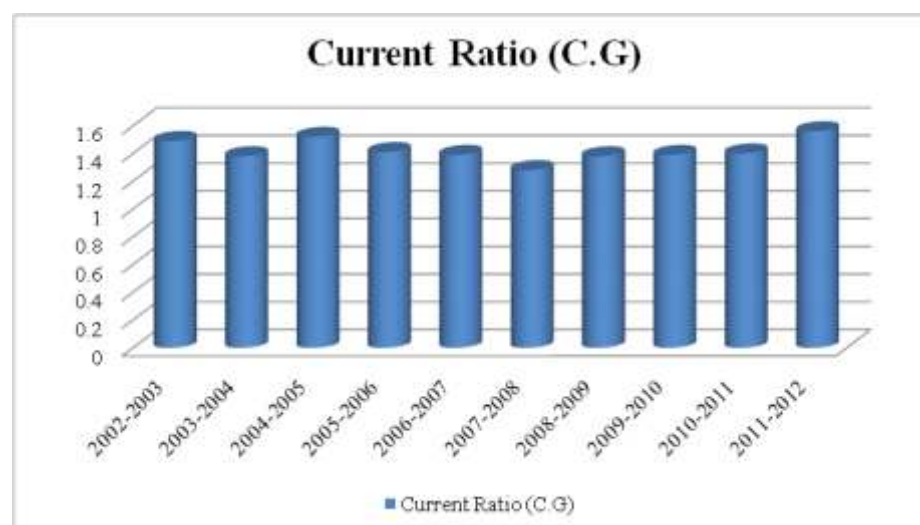


Table 2 exhibits the current assets and current liabilities of C.G during the period of 2002-2003 to 2011-2012 which is helpful in estimating the current ratio of the enterprise. The current ratio of C.G stood at an average of 1.42:1 during the study period of 2002-2003 to 2011-2012. In the year 2002-2003 the current assets in C.G amounted to Rs. 856.43 crores and current liabilities amounted to Rs. 573.91 crores which has resulted in current ratio of 1.49:1. In 2003-2004 current assets stood at Rs. 894.26 crores and current liabilities amounted to Rs. 648.25 crores which has resulted in current ratio of 1.38:1. In 2004-2005 the current ratio of C.G stood at 1.52:1, in the same year current assets of C.G amounted to Rs. 890.83 crores and current liabilities amounted to Rs. 587.23 crores. In the year 2005-2006 the current assets amounted to Rs. 1133.69 crores and current liabilities amounted to Rs. 802.37 crores which has resulted in current ratio of 1.41:1. In the year 2006-2007 the current ratio stood at 1.39:1, in the same year current assets amounted to Rs. 1460.84 crores and current liabilities amounted to Rs. 1047.42 crores. Further in the year 2007-2008 the current assets in C.G amounted to Rs. 1656.23 crores and current liabilities amounted to Rs. 1295.30 crores which has resulted in current ratio of 1.28:1. In 2008-2009 current assets stood at Rs. 2085.99 crores and current liabilities amounted to Rs. 1515.69 crores which has resulted in current ratio of 1.38:1. In 2009-2010 the current ratio of C.G stood at 1.39:1, in the same year current assets of C.G amounted to Rs. 2220.19 crores and current liabilities amounted to Rs. 1600.17 crores. In the year 2010-2011 the current assets amounted to Rs. 2384.99 crores and current liabilities amounted to Rs. 1698.62 crores which has resulted in current ratio of 1.40:1. In the year 2011-2012 the current ratio of C.G stood at 1.56:1, in the same year current assets of C.G amounted to Rs. 2818.39 crores and current liabilities amounted to Rs. 1804.20 crores. Current ratio of C.G during the study period has also been shown with the help of Figure 2.

Table3: Current Ratio (BHEL and C.G)

Year	Current Ratio (BHEL)	Current Ratio (C.G)
2002-2003	1.76	1.49
2003-2004	1.65	1.38
2004-2005	1.58	1.52
2005-2006	1.58	1.41
2006-2007	1.46	1.39
2007-2008	1.40	1.28
2008-2009	1.30	1.38
2009-2010	1.32	1.39
2010-2011	1.32	1.40
2011-2012	1.70	1.56
Average	1.51	1.42

CURRENT RATIO ANALYSIS OF HEAVY ELECTRICAL INDUSTRIES IN INDIA

Fig3: Current Ratio (BHEL and C.G)

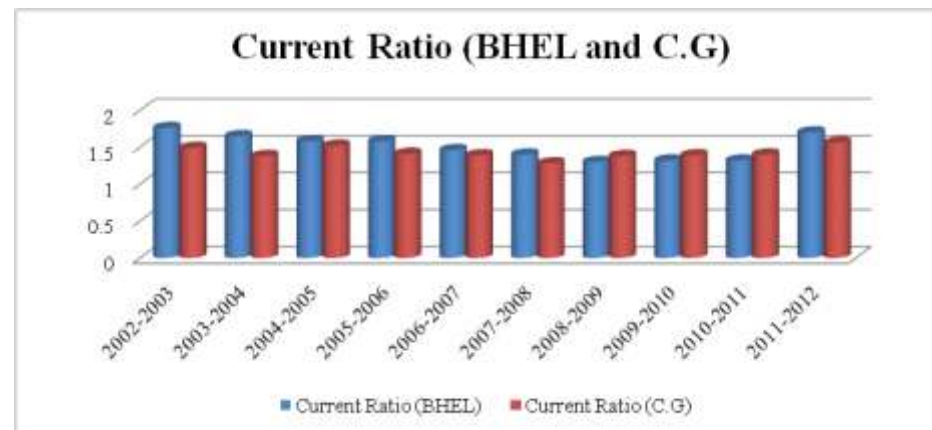


Table 3 exhibits current ratio of both the concerns. The current ratio of BHEL and C.G stood at an average of 1.51:1 and 1.42:1 respectively during the study period of 2002-2003 to 2011-2012. In the year 2002-2003 the current ratio of BHEL stood at 1.76:1 where as the current ratio of Crompton Greaves stood at 1.49:1. In the year 2003-2004 the current ratio of BHEL and Crompton Greaves stood at 1.65:1 and 1.38:1 respectively. BHEL has a current ratio of 1.58:1 where as Crompton Greaves has a current ratio of 1.52:1 in 2004-2005. In the year 2005-2006 the current ratio of BHEL stood at 1.58:1 where as the current ratio of Crompton Greaves stood at 1.41:1. In the year 2006-2007 BHEL has a current ratio of 1.46:1 where as Crompton Greaves has current ratio of 1.39:1. Further in the year 2007-2008 the current ratio of BHEL and Crompton Greaves stood at 1.40:1 and 1.28:1 respectively. BHEL has a current ratio of 1.30:1 where as Crompton Greaves has a current ratio of 1.38:1 in 2008-2009. In the year 2009-2010 the current ratio of BHEL stood at 1.32:1 where as the current ratio of Crompton Greaves stood at 1.39:1. In the year 2010-2011 BHEL has current ratio of 1.32:1 where as Crompton Greaves has a current ratio of 1.40:1. In the year 2011-2012 the current ratio of BHEL and Crompton Greaves stood at 1.70:1 and 1.56:1 respectively. Current ratio of both the concerns during the study period has also been shown with the help of Figure 3.

HYPOTHESIS TESTING ON CURENT RATIO (BHEL and C.G)

To test whether there is a significant difference between current ratio of BHEL and C.G the following hypothesis is framed and tested through t-test at 95 % confidence level:

H_0 There is no significant difference between current ratio of BHEL and C.G

H_1 There is a significant difference between current ratio of BHEL and C.G

Table 4: t-Test: Two-Sample Assuming Unequal Variances

t-Test: Two-Sample Assuming Unequal Variances		
PARAMETERS	CURRENT RATIO BHEL	CURRENT RATIO C.G
Mean	1.506527249	1.420498821
Variance	0.027911099	0.006707387
Observations	10	10
Hypothesized Mean Difference	0	
df	13	
t Stat	1.462136604	
P(T<=t) one-tail	0.083727262	
t Critical one-tail	1.770933383	
P(T<=t) two-tail	0.167454525	
t Critical two-tail	2.160368652	

Since the calculated value of t one tail at .05 level of significance is less than the table value of t,

CURRENT RATIO ANALYSIS OF HEAVY ELECTRICAL INDUSTRIES IN INDIA

null hypothesis is accepted that there is no significant between current ratio of BHEL and C.G and alternative hypothesis is rejected.

CONCLUSION:

On the basis of above analysis it can be concluded that BHEL is maintaining current ratio at an average of 1.51:1 where as C.G is maintaining current ratio at an average of 1.42:1 during the study period of 2002-2003 to 2011-2012. An ideal current ratio is said to be 2:1. So, it can be concluded that both the companies are not able to maintain a satisfactory level of current assets in order to meet their current liabilities. However, BHEL is able to maintain a better current ratio as compared to C.G during the study period. In addition the above analysis also reveals that that the main hypothesis H_0 is accepted and alternate hypothesis H_1 is rejected. Thus it can be concluded that there is no significant difference between current ratio of BHEL and Crompton Greaves.

REFERENCES:

1. Annual Reports of Bharat Heavy Electricals Limited (BHEL)
2. Annual Reports of Crompton Greaves (C.G)
3. <http://www.cgglobal.com/frontend/Crompton.aspx?cnl2=U9Q15+7swRk=>
4. <http://www.bheltbg.com/aboutbhel>
5. Pandey, I.M, Vikas Publishing House Pvt. Ltd, 2009
6. Paul Barnes; The Analysis And Use Of Financial Ratios: A Review Article, Journal of Business Finance & Accounting, Volume 14, Issue 4, December 1987
7. Insan, Pinki; Warne, D. P.; Asia Pacific Journal of Research in Business Management; Aug 2011, Vol. 2 Issue 8
8. BHEL official site; <http://www.bhel.com/about.php>



Vineet Singh

Assistant Professor, Dept. of Commerce, Guru Ghasidas Vishwavidyalaya, Bilaspur, Chhattisgarh.

Publish Research Article International Level Multidisciplinary Research Journal For All Subjects

Dear Sir/Mam,

We invite unpublished Research Paper, Summary of Research Project, Theses, Books and Books Review for publication, you will be pleased to know that our journals are

Associated and Indexed, India

- ★ Directory Of Research Journal Indexing
- ★ International Scientific Journal Consortium Scientific
- ★ OPEN J-GATE

Associated and Indexed, USA

- DOAJ
- EBSCO
- Crossref DOI
- Index Copernicus
- Publication Index
- Academic Journal Database
- Contemporary Research Index
- Academic Paper Database
- Digital Journals Database
- Current Index to Scholarly Journals
- Elite Scientific Journal Archive
- Directory Of Academic Resources
- Scholar Journal Index
- Recent Science Index
- Scientific Resources Database

Review Of Research Journal
258/34 Raviwar Peth Solapur-413005, Maharashtra
Contact-9595359435
E-Mail-ayisrj@yahoo.in/ayisrj2011@gmail.com
Website : www.ror.isrj.net