

A STUDY ON FINANCIAL STATEMENT ANALYSIS PRACTICES OF HBL POWER SYSTEM LTD, VISAKHAPATNAM-INDIA

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ABSTRACT

A financial plan is a strategy communicated in quantitative term. The term has been gotten from the French word “roll” which implies a little pack. The spending plan gives a measuring stick from which the presentation can be assessed. It is smarter to contrast the genuine outcomes and the spending plan as opposed to the past since the previous outcomes may not be responsible for current and anticipated conditions. It bargains in earthenware tails to supply the over all in the Andhra Pradesh. The significance of the financial statement analysis helps uncertainty making measure in making trail esteem. Financial Analysis is the drawn-out monetary arranging measure for taking long haul speculations. The assessment of strategies of statement analysis is utilized for breaking down the earnings at HBL power systems limited, Visakhapatnam

Keywords: Financial statements , Organization, Analysis, Effectiveness.

1. INTRODUCTION

Financial Management is about preparing, directing and managing the money activities of a company such as buying, selling and using money to its best results to maximise wealth or produce best value for money. It is basically applying general management concepts to the cash of the company. Financial Management can also be defined as – The management of the finances of a business /organisation in order to achieve financial objectives. “Financial management is concerned with raising financial resources and their effective utilization towards achieving the organizational goals” Dr. S. N. Maheshwari. “Financial management is the process of putting the available funds to the best advantage from the long-term point of view of business objectives” Richard A. Brealey. Management needs to ensure that enough funding is available at the right time to meet the needs of the business. In the short term, funding may be needed to invest in equipment and stocks, pay employees and fund sales made on credit. In the medium and long term, funding may be required for significant additions to the productive capacity of the business or to make acquisitions. This links in with the financial decision-making process and forecasting.

Profile of power sector industry

Power or electricity is one of the most critical components of infrastructure affecting economic growth and well-being of nations. The existence and development of adequate infrastructure is essential for sustained growth of the Indian economy.

The Indian power sector is one of the most diversified in the world. Sources for power generation range from conventional ones such as coal, lignite, natural gas, oil, hydro and nuclear power to other viable non-conventional sources such as wind, solar, and agriculture and domestic waste. The demand for electricity in the country has been growing at a rapid rate and is expected to grow further in the years to come. In order to meet the increasing requirement of electricity, massive addition to the installed generating capacity in the country is required. At Present in power sector nearly half i.e., 49.15% is under State electricity Boards, which is followed by Public Sector Unit's like NTPC, NHPC, NPCIL etc. The role of private sector is about 19.85%, which is at present least among the three sectors, but private sector is growing at a far greater pace than any other sector, the latest advancements in this direction are allotment of UMPP's to private sector.

Profile of the company

HBL Power systems Ltd. Is the pioneer in the design, development and manufacture of specialized batteries and DC systems in India. With over 3 decades of experience in this filed, the company offers a wide range of batteries and associated electronics providing its customers, custom built solutions to meet critical requirements.

HBL Power systems Ltd., has more than 30 years of experience in the field of specialized Batteries and DC Power Systems. The company is the result of a merger between Hyderabad Batteries Limited (1977) and SABNIFE Power Systems Ltd (1986).

The Company has its Head Quarters in Hyderabad, India with factories and Sales Offices in various parts of the country. HBL also Has offices /Distributors/Agents all over the Globe to cater to its ever-GROWING Export Business. HBL is committed to improving global competitiveness by sharing knowledge, drive for innovation & growth, and investments. In internationally benchmarked technology & niche products.

2. LITERATURE REVIEW

Financial statement analysis evaluates an organization's financial health, performance, and decision-making capabilities using financial reports.

Fraser and Ormiston (2016) emphasized the role of financial analysis in decision-making by stakeholders such as investors, creditors, and managers.

Bernstein and Wild (2000) provided a foundational understanding of financial statement components and their interpretation.

Schipper and Vincent (2003) discussed how external economic factors distort financial ratios and limit their reliability.

Healy and Wahlen (1999) investigated how earnings manipulation undermines financial statement credibility.

Brynjolfsson and McAfee (2014) discussed how AI and machine learning enable real-time and predictive financial analysis.

Wahlen et al. (2015) incorporated advanced analytics to detect patterns and anomalies in financial statements.

Scope of the study

The purpose of financial statement analysis is to evaluate the past, current, and future performance and financial position of the company for the purpose of making investment, credit, and other economic decisions. Analysis of financial statement can be undertaken by different persons and for different purposes, therefore, the scope of the AFS may be varying from one situation to another. However, the following are some the techniques of the AFS:

- Comparative financial statements.
- Common-size financial statements.
- Trend percentage analysis.
- Statement of changes in financial position.

Need for the study

We know that the analysis of financial statement helps the analyst to know the financial information from the financial data contained in the financial statements and to assess the financial health (i.e. strength or weakness) of an enterprise. It also helps to make a forecast for the future which helps us to prepare budgets and estimates. In short, analysis of financial statements helps us to take various decisions at various places of a firm.

(a) It helps us to know the reasons for relative changes—either in profitability or in the financial position as a whole.

(b) It also helps to know both the short-term liquidity position vis-a-vis working capital position; as also the long-term liquidity and solvency position of a firm.

(c) It also highlights the operating efficiency and the present profit-earning capacity of the firm as a whole.

3. OBJECTIVES OF THE STUDY

- To assess the earning capacity or profitability of the firm.
- To assess the operational efficiency and managerial effectiveness.
- To identify the reasons for change in profitability and financial position of the firm.
- To make inter firm comparisons.
- To make forecasts about future prospects of the firm.
- To assess the progress of the firm over a period of time.
- To help in decision making and control.
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4. METHODOLOGY OF STUDY

Primary data:

The primary data is collected by interacting with the finance manager and other executives of the company.

Secondary data:

The secondary data is derived from the annual reports, Business line and finance newspapers websites and the internal auditing books of HBL.

5. RESULTS AND DISCUSSION

1. Current ratio:

The **current ratio** is a liquidity ratio that measures whether or not a firm has enough resources to meet its short-term obligations.

TABLE NO 5.1

Year	Current assets	Current liabilities	Current Ratio
2022-2023	29746.31	33846.39	0.88
2021-2022	37363.43	30519.52	1.22
2020-2021	39870.79	25279.80	1.58
2019-2020	41387.08	22610.03	1.82
2018-2019	38915.52	17238.64	2.26

Source: primary data

2. Cash ratio:

It is an extreme liquidity ratio since only cash and cash equivalents are compared with the current liabilities

TABLE NO 2

Year	Cash & cash equivalents	Current liabilities	Cash ratio
2022-2023	15105.41	33846.39	0.387
2021-2022	17313.37	30519.52	0.501
2020-2021	18867.70	25279.80	0.667
2019-2020	18161.83	22610.03	0.715
2018-2019	919.01	17238.64	0.053

Source: primary data

3. Inventory turnover ratio:

The inventory turnover ratio is an efficiency ratio that shows how effectively inventory is managed by comparing cost of goods sold with average inventory for a period.

TABLE NO 3

Year	Cost of goods sold	Average inventory	Inventory turnover ratio
2022-2023	63776.48	7192.53	0.89
2021-2022	60170.24	7972.46	7.54
2020-2021	56246.48	5488.48	10.24
2019-2020	49699.49	4057.19	15.24
2018-2019	49240.51	3702.85	15.29

Source: primary data

4. Debt/equity ratio:

Debt/Equity Ratio is a debt ratio used to measure a company's financial leverage, calculated by dividing a company's total liabilities by its stock-holders equity.

TABLE NO 4

Year	Total liabilities	shareholders' equity	Debt/equity ratio
2022-2023	91990.87	88782.00	1.03
2021-2022	84907.85	81857.35	1.05
2020-2021	68459.06	85817.32	0.78
2019-2020	58138.92	80387.51	0.72
2018-2019	50307.99	73291.17	0.69

Source: primary data

5.Fixed assets turnover ratio:

Fixed assets turnover ratio (also known as sales to fixed assets ratio) is a commonly used activity ratio that measures the efficiency with which a company uses its fixed assets to generate its sales revenue. It is computed by dividing net sales by average fixed assets.

TABLE NO 5

Year	Net sales	Average fixed assets	Fixed assets turnover ratio
2022-2023	70661.33	178063.46	0.44
2021-2022	73197.61	153342.56	0.54
2020-2021	72137.06	138999.5	0.61
2019-2020	64717.88	100045.52	0.64
2018-2019	61630.85	87086.22	0.70

Source: primary data

6.Working capital turnover ratio:

The working capital turnover ratio is used to analyse the relationship between the money that funds operations and the sales generated from these operations.

TABLE NO 6

Years	Sales	Working capital	Working capital ratio
2022-2023	70661.33	-4100.08	-17.23
2021-2022	73197.61	6843.91	10.69
2020-2021	72137.06	16590.99	5.942
2019-2020	64717.88	23928.44	2.704
2018-2019	61630.85	21873.88	2.834

Source: primary data

7. Profitability ratio:

A profitability ratio is a measure of profitability, which is a way to measure a company's performance. Profitability is simply the capacity to make a profit.

TABLE NO 8

Years	Net income	Assets	Profitability ratio
2022-2023	10242.91	184872.95	0.64
2021-2022	10290.86	197085.72	1.05
2020-2021	10975.74	179555.18	1.54
2019-2020	14619.39	181318.46	1.92
2018-2019	9223.73	160837.80	1.97

Source: primary data

6. FINDINGS

- The total revenue for financial year 2022-2023 is 71896.07 crore as against 75337.36 crore in the previous year registering a decrease of 5%.
- The capacity charges are allowed to be recovered in full if plant availability is at least 83%, if the availability of the plant is lower than 83%.
- During the financial year 2022-2023 the company had written back provisions for tariff adjustments made in earlier year amounting to 175.51 crore in comparison to 180.18 crore in the financial year 2021-2022.
- Sales include 50.74 crore pertaining to previous year.
- Sales also include (-) 1893.35 crore and account of income tax payable to the beneficiaries.
- The total revenue for financial year 2022-21 is Rs. 71,696.07 crore as against Rs.75,337.36Crore in the previous year, registering a decrease of 5%.
- Total assets during 2022-2023 was 216,619.26 and during 2021-2022 was 197,155.72.
- The current ratio was less compared to previous year 2022-2023 was (0.88) and 2020-2021 was (1.22).
- Current investments are valued at lower of cost and fair value determined on an individual investment basis.

7. SUGGESTIONS

- Regulatory commission should work properly; they should try to minimize the cost, so that general customer meets the cost easily.
- Company should try to get ultra mega power plant project.
- They should try to improve the operational efficiency and financial performance of state utilities.
- Company has sound data system from where they can start the cost cut methods at different measures to improve their performance.
- The human resource can be optimizing to certain extent for increasing profitability.

8. CONCLUSION

The electricity supply has been in the public domain in the developing countries. Under public ownership, the sector has not been able to catch up with the growing demand for electricity. The operational in efficiency & financial losses often lead to poor quality of supply & under investment. A wave of reform has swept through a number of developing countries. These were primarily targeted to improve the performance of the state-owned companies and to provide a conducive atmosphere for private investment in the sector. The emerging competition in the bulk power market & direct access to large consumers is aimed at reducing the risks associated with sales to financially weak state utilities. A positive outcome of existing distribution privatization programmes would guide. Such future plans, which mean politically sensitive. The regulatory challenge is to provide incentives of sovereign guarantees can be adequately addressed if state utilities become viable through greater commercialization, if not privatization.

BOOKS:	AUTHOR NAME
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Financial Management	I.M.Pandey
Management Accounting	R.P.Trivedi

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