

IMPACT ANALYSIS OF IND-AS ON KEY FINANCIAL RATIOS OF BHEL (A MAHARATANA COMPANY)

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ABSTRACT

The present study was undertaken to analyse the impact of Indian Accounting Standards (Ind-AS) on key financial ratios of BHEL (A Maharatna Company) in comparison to what it was under the previously practiced Indian GAAP. The impact of Ind-AS on key financial ratios based of financial statements of selected company were examined by considering period from 2011-12 to 2019-20, while the year of transition from Indian GAAP to Ind-AS was 2016-2017. The analysis was based on pre and post adoption of Ind-AS by using trend analysis and comparative analysis impact on key financial ratios by taking fourteen key variables. The present study revealed that implementation of Ind-AS has no significant impact on key financial ratios of BHEL. Though, in the post transition period the financial condition of selected company had reached to alarming stage due to heavy losses. It is suggested that aggressive production policy with significant cut in cost should be implemented to achieve the higher profits and regain the faith of investors as increase in profitability ultimately boost the wealth of investors as well as attract the potential investors too.

Keywords: Indian GAAP, Ind-AS, Key Financial Ratios, BHEL, Trend Analysis, Comparative Analysis.

Introduction

Indian Accounting Standards (Ind-AS) are known as converged International Financial Reporting Standards (IFRSs), which itself known as high quality transparent global standards. Because of its unique nature more than 120 countries in the world have been adopted these global standards so far and India is one of those countries which has been adopted these high-quality standards. In India, due to different economic and political environment and diversified regulatory bodies like RBI, SEBI, ICAI, MCA etc., it was not possible to adopt IFRSs in its original form, therefore these standards have been adopted by making some modifications. These modified/converged global standards are known as Indian Accounting Standards and abbreviated as Ind-AS. The researchers selected Bharat Heavy Electricals Limited (BHEL) due to its status of "Maharatna Company" and its mammoth size. BHEL have a great contribution in GDP of India basically in power generation, engineering and manufacturing sector. An effort has been made in the present study to know the impact of implementation of Ind-AS on key financial ratios of selected company to measure the financial health of selected company. For analysing the impact, previous 9 years financial statements of BHEL (2011-12 to 2019-20) five years before and four years after implementation of Ind-AS (year of transition 2016-17) have been taken into consideration and ratios for all the 9 years based on financial statements of the concern periods have been analysed with the help of trend analysis and comparative analysis methods. The study revealed that implementation of Ind-AS has no significant impact on key financial ratios of BHEL. Though, in the post transition period the financial condition of selected company had reached to alarming stage due to heavy losses. It is suggested that aggressive production policy with significant cut in cost should be implemented to achieve the higher profits and regain the faith of investors as increase in profitability ultimately boost the wealth of investors as well as attract the potential investors too.

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Review of Literature

Various studies have been conducted to assess the impact of Indian Accounting Standard (Ind-AS)/International Financial Reporting Standard (IFRS) on various factors across the globe. Some of the relevant studies in this context are summarized below to gain a theoretical perspective on implementation of Indian Accounting Standard (Ind-AS)/IFRS with respect to key financial ratios. This section presents the studies carried out so far, as reviewed from the last few years' published research. These studies have been categorized into two groups:

- International Reviews
- National Reviews

International Reviews

- Suchita Shukla (2015) in her analysis, An Empirical Study of the Impact of Adoption of IFRS on the Financial Activities of Companies in India. She opines in her study that there is no significant improvement in financial risk, investment activities, operating activities and debt covenant.
- Lantto and Sahlstrom (2016) in their study examine the impact of IFRS adoption on key financial ratios using Finland as the sample country. They concluded that the adoption of IFRS changes the magnitude of the key accounting ratios.
- According to Michel Blanchette (Professor of accounting in Canada) While preliminary testing shows significant results, those results are incomplete and may not represent the overall impact that will affect Canadian listed companies in the future.
- Surajit Das in 2014 examined the Impact of IFRS Adoption compared with IGAAP on Activity Based Ratio. Their findings revealed that the impact was not statistically significant and through t-test it was found that there is no difference between IGAAP and IFRS.

National Reviews

- Professor A. Aziz Ansari and Kahkashan Akhtar tried to analyze impact of IFRS adoption on banking industries (2016) in which discussion shows that the implementation of IFRS shall have the major impact over the advances, financial instruments, investments.
- Parvathy P.R in his study of "IFRS convergence: opportunities and challenges in India" in 2017 concluded that convergence of IFRS with the Indian Accounting Standards will, of course, ensure greater credibility in the international capital market.
- Kamath and Desai (2014) in their study "The Impact of IFRS Adoption on the Financial Activities of Companies in India An Empirical Study", with the help of ratio analysis concluded that investment activities and operating activities showed improvement, whereas financial risk and debt covenant showed no difference.
- Dr. Javaid Akhter (AMU) and Dr. Barnali Chaklader (IMI), in their study found that, there are significant differences between the ratios calculated as per Indian GAAP and IFRS.

Objectives of the Study

The main objective of the study is to impart the impact of Ind-AS/IFRS adoption on key financial ratios of Bharat Heavy Electricals Limited. The specific objectives of the present study are:

- To identify the sources of differences in financial reporting experienced by the selected company due to the changes in the regime.
- To analyse the trend in various ratios by taking data of five year before and four year after adoption of IFRS.
- To test whether there is a significant impact of Ind-AS on key ratios of BHEL with the help of trend analysis by taking period from 2011-2012 to 2019-2020.
- To present some policy recommendations on the basis of analysis, regarding impact of adoption of Ind-AS on key financial ratios of selected company.

Methodology

The broad objective of this study is to make available empirical evidence for significant impact of Ind-AS on financial ratios of Bharat Heavy Electricals Limited. To meet the objectives of the study and for effective results the analytical research methodology which is based on the secondary data to be collected from website of selected company (BHEL) have been utilised. The main source for this secondary data is annual reports of the selected company.

• **Data Source**

Financial data extracted from published audited annual report of selected company (BHEL) for the financial years from 2011-12 to 2019-20 have been taken into consideration while the year of transition from IGAAP to Ind-AS is 2016-2017.

• **Method of Data Collection**

As stated earlier a roadmap for implementation of Ind-AS had been made by MCA (Ministry of Corporate Affairs), it notified for mandatory implementation of Ind-AS from 1st April, 2016 to all Indian corporate having net worth more than Rs. 250 crores. For this, financial data for 9 years (five year before and four year after adoption of Ind-AS) from 2011-12 to 2019-20 were collected from the published audited annual report of selected company as well as from the websites of some business analysts like Business Standard, Money Control, Economic Times etc.

• **Periodicity**

As regard use of statistical data for analysis, the study contains a period of nine financial years, i.e., 2011-2012 to 2019-20 for transition impact analysis while the year of transition from IGAAP to Ind-AS was 2016-17.

• **Determination of Sample Size and Sampling**

To analyse the transition impact analysis the sample selection has been made by taking 14 variables of key financial ratios under four major categories i.e., Profitability ratios, Liquidity ratios, Solvency ratios and Activity ratios. Based on the past study and review of literature it is assumed that sample of variables undertaken for study obviously cover the whole financial picture of the company.

Analysis and Interpretations

For analysing the transition impact the selected variables are the financial ratios which had been taken under four major categories, namely: (1) Profitability Ratios, (2) Liquidity Ratios, (3) Solvency Ratios and (4) Activity Ratios. The details of variables of “Key Financial Ratios” to analyse the transition impact, have been displayed below in Table 1.

Table 1: Key Financial Ratios of BHEL

(List of variables taken from “Financial ratios” transition impact analysis)

S. No.	Profitability Ratios	S. No.	Liquidity Ratios	S. No.	Solvency Ratios	S. No.	Activity Ratios
1	Net Profit Margin	1	Current Ratio	1	Debt-equity Ratio	1	Asset Turnover Ratio
2	Operating Margin	2	Acid-Test Ratio	2	Proprietary Ratio	2	Inventory Turnover Ratio
3	Return on Investments (ROI)			3	Capital Gearing Ratio	3	Trade Receivable Turnover Ratio
4	Return on Equity (ROE)			4	Interest Coverage Ratio		
5	Return on Assets (ROA)						

• **Profitability Ratios**

The main purpose of a business firm is to make profit and every business required a consistent growth to survive. The profitability ratios are computed to throw light on the current operating performance and also measure the efficiency of management. These ratios indicate the success or failure of a business enterprise. The key profitability ratios consisted of five variables undertaken for consideration have been listed below from Table-1(a) to Table-6(a) along with their concern graphical presentations listed as Figure-1(a) to Figure-6(a).

Analysis of Profitability Ratios

Table: 1(a)

Net Profit Margin (Trend Analysis)			
Year	Ratio	Trend %	
2011-12	14.01	100	
2012-13	12.98	92.65	
2013-14	8.43	60.17	
2014-15	4.48	31.98	
2015-16	-2.66	-18.99	
2016-17	1.67	11.92	
2017-18	2.8	19.98	
2018-19	3.97	28.34	
2019-20	-6.86	-48.96	
Average: 2011-12 to 2015-16= 7.45			
Average: 2016-17 to 2019-20= 0.39			

Figure :1(a)

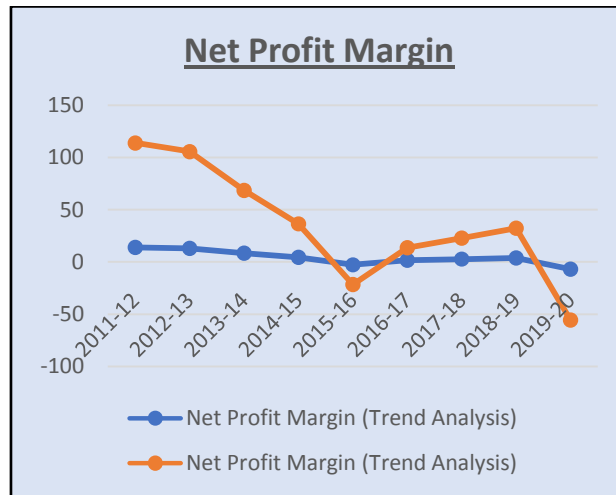


Table: 2(a)

Opertaing Margin (Trend Analysis)		
Year	Ratio	Trend %
2011-12	22.19	100
2012-13	20.62	92.92
2013-14	14.93	67.28
2014-15	10.46	47.14
2015-16	0.49	2.21
2016-17	6.36	28.66
2017-18	9.37	42.23
2018-19	9.53	42.95
2019-20	2.1	9.46
Average: 2011-12 to 2015-16= 13.74		
Average: 2016-17 to 2019-20= 6.84		

Figure:2(a)

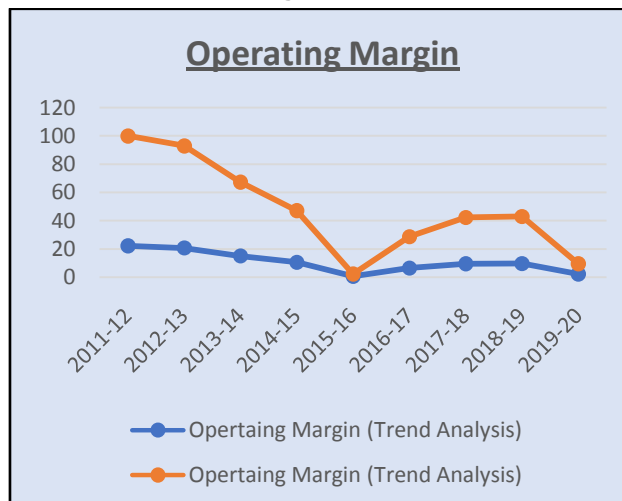
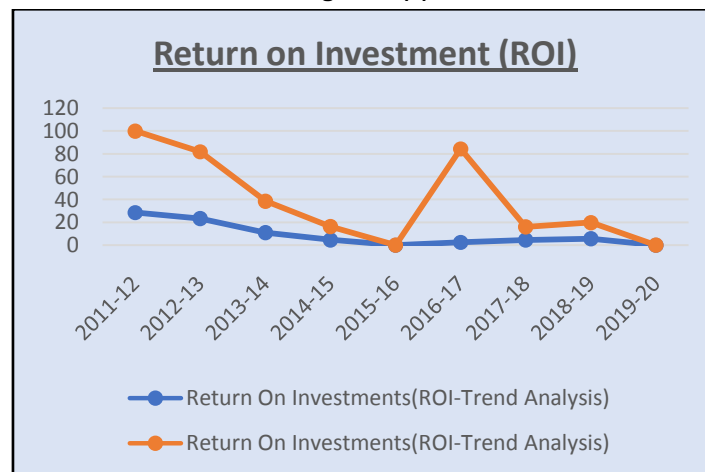


Table: 3(a)

Return On Investments(ROI-Trend Analysis)			
Year	Ratio	Trend %	
2011-12	28.56	100	
2012-13	23.37	81.83	
2013-14	11.01	38.55	
2014-15	4.64	16.25	
2015-16	0	0	
2016-17	2.41	84.38	
2017-18	4.57	16	
2018-19	5.64	19.75	
2019-20	0	0	
Average: 2011-12 to 2015-16= 13.52			
Average: 2016-17 to 2019-20= 3.16			

Figure: 3(a)**Table: 4(a)**

Return On Equity(ROE-Trend Analysis)			
Year	Ratio	Trend %	
2011-12	30.93	100	
2012-13	23.7	76.62	
2013-14	10.9	35.24	
2014-15	4.23	13.68	
2015-16	0	0	
2016-17	1.53	4.95	
2017-18	2.46	7.95	
2018-19	3.76	12.16	
2019-20	0	0	
Average: 2011-12 to 2015-16= 13.95			
Average: 2016-17 to 2019-20= 1.94			

Figure: 4(a)

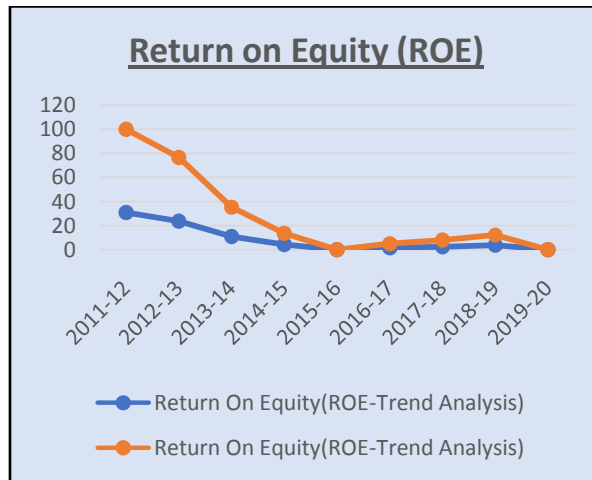


Table: 5(a)

Return On Assets (Trend Analysis)		
Year	Ratio	Trend %
2011-12	10.54	100
2012-13	9.43	89.47
2013-14	4.75	42.03
2014-15	2.07	19.64
2015-16	-1.08	-10.25
2016-17	0.8	7.59
2017-18	1.26	11.95
2018-19	1.87	17.74
2019-20	-2.4	-22.77
Average: 2011-12 to 2015-16= 5.14		
Average: 2016-17 to 2019-20= 0.38		

Figure: 5(a)

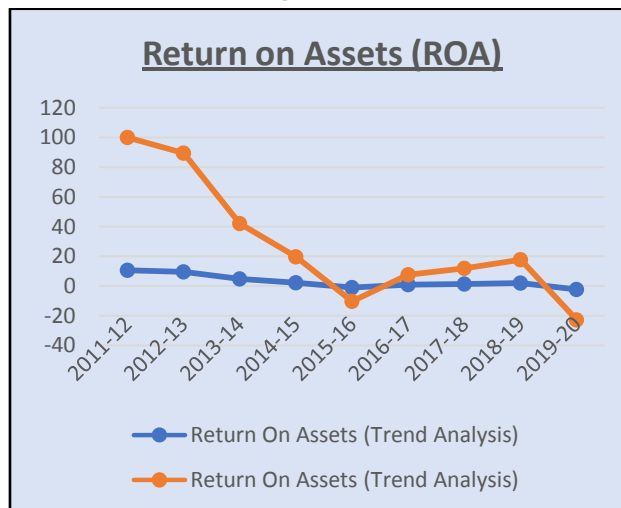
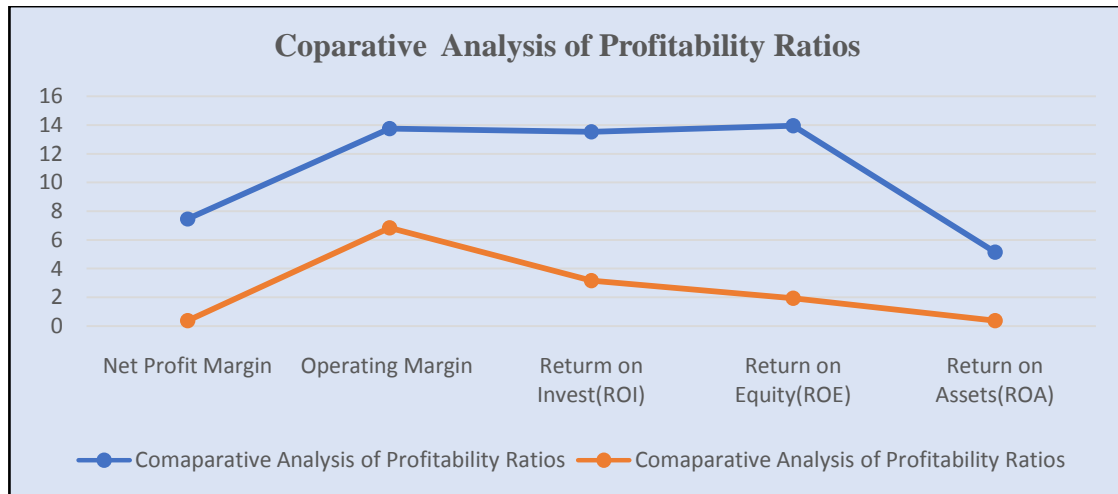


Table: 6(a)

Comparative Analysis of Profitability Ratios		
	Averages : 2011-12 to 2015-16	Averages : 20116-17 to 2019-20
Net Profit Margin	7.45	0.39
Operating Margin	13.74	6.84
Return on Invest(ROI)	13.52	3.16
Return on Equity(ROE)	13.95	1.94
Return on Assets(ROA)	5.14	0.38

Figure:6(a)



Source: Annual reports of BHEL and <https://www.business standard.com>

The above tables and figures from table and figure 1(a) to 5(a), have been undertaken for analysing all five variables of profitability ratios, while table and figure 6(a) has been taken for analysing the averages of these variables before and after adoption of Ind-AS. Results of every table and figure have been explained below:

- Table and figure 1(a) concerning with Net Profit Margin of selected company indicates that there is significant decline in the ratio from 14.01% to -6.86%, while their corresponding trend percentages from 100 to -48.96 during the period of study from 2011-12 to 2019-20 and the condition has continuously become worst in recent years.
- Table and figure 2(a) concerning with Operating Margin of selected company indicates that there is significant decline in the ratio from 22.19% to 2.1%, while their corresponding trend percentages from 100 to 9.46 during the period of study from 2011-12 to 2019-20, a very quick decline in the ratio has been observed after transition to Ind-AS.
- Table and figure 3(a) above are related to Return on Investment (ROI) of selected company indicates that there is also significant decline in the ratio from 28.56 % to 0 %, while their corresponding trend percentages from 100 to 0 during the period of study from 2011-12 to 2019-20 and it is obviously put a question mark on management of selected company as higher ROI ensures the growth and also retain faith of the investors.
- Table and figure 4(a) related to Return on Equity (ROE) of selected company clearly indicates that there is a speedy decline in the ratio from 33.93 % to 0 %, while their corresponding trend percentages from 100 to 0 during the period of study from 2011-12 to 2019-20, in the year of transition the ROE become down to 1.53 and then reached to zero in the year 2019-20.
- Table and figure 5(a) related to Return on Assets (ROA) directly indicates the continuous fall in the ratio from 10.54 % to -2.4 %, while their corresponding trend percentages from 100 to -22.77 during the period of study from 2011-12 to 2019-20, ROA is seen as an indicator of how profitable a company is in relation to its assets and provides idea as to how efficiently the management using its assets.

- Finally, the table and figure 6(a) representing averages of all the above considered variables of profitability ratios, the results showed that before adoption of Ind-AS i.e before 2015-16 (during 2011-12 to 2015-16) the average profitability condition was much better than after adoption of Ind-AS i.e 2106-17(during 2016-17 to 2019-20). The results indicate that the average net profit margin dramatically declined from 7.45 to 0.39, operating margin from 13.52 to 3.16, ROI from 13.95 to 1.94, ROE from 5.14 to 0.38 and ROA from 13.74 to 6.84, while overall average of all the averages of profitability ratios has been declined from 10.76 to 2.54 with a difference of 8.21 considering a fall of 76.37% which is a significant variation between two regime.

The results indicate that the profitability condition of the company was much better before adoption of Ind-AS, a huge decline in almost every key profitability ratio is bad sign as well as put a question mark on the survival of company in future. As per the results associated with profitability, it is an alarming situation for company.

Liquidity Ratios

Liquidity ratios are used to measure the short-term solvency position of a business enterprise and help to analyse the ability of the business to pay its short-term debts. The term liquidity means the conversion of the assets into cash without much loss. There exist two liquidity ratios that can be used to assess the short-term solvency position of a firm and have been considered in the present study for analysis. The key liquidity ratios consisted of two variables undertaken for consideration have been listed below in Table-1(b) and Table-3(b) along with their concern graphical presentations listed as Figure-1(b) and Figure-3(b).

Analysis of Liquidity Ratios

Table: 1(b)

Current Ratio (Trend Analysis)		
Year	Ratio	Trend
2011-12	1.78	1
2012-13	1.81	1.01
2013-14	1.99	1.11
2014-15	2.19	1.23
2015-16	2.31	1.29
2016-17	2.32	1.3
2017-18	2.18	1.22
2018-19	1.93	1.08
2019-20	1.68	0.94
Average: 2011-12 to 2015-16= 2.02		
Average: 2016-17 to 2019-20= 2.03		

Figure: 1(b)

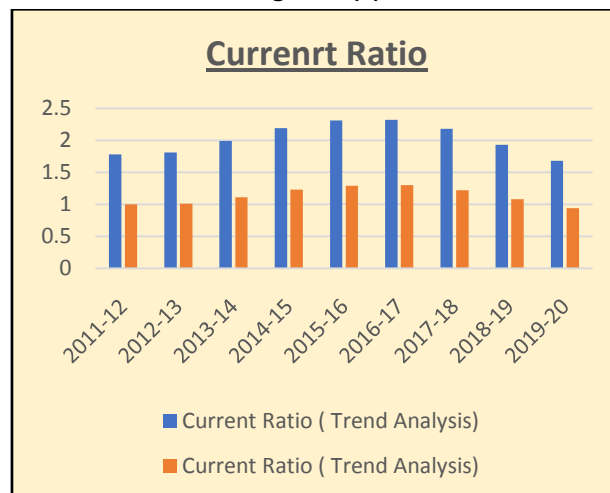


Table: 2(b)

Acid-Test Ratio (Trend Analysis)		
Year	Ratio	Trend
2011-12	1.23	1
2012-13	1.41	1.14
2013-14	1.65	1.24
2014-15	1.73	1.4
2015-16	1.71	1.39
2016-17	1.76	1.43
2017-18	1.66	1.34
2018-19	1.33	1.08
2019-20	1.05	0.85
Average: 2011-12 to 2015-16= 1.55		
Average: 2016-17 to 2019-20= 1.45		

Figure: 2(b)

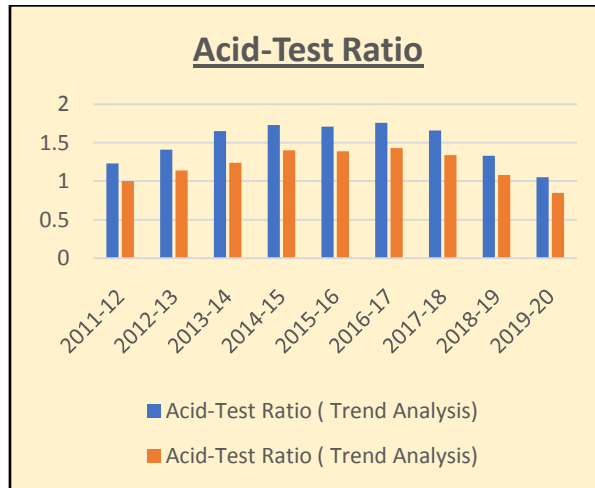
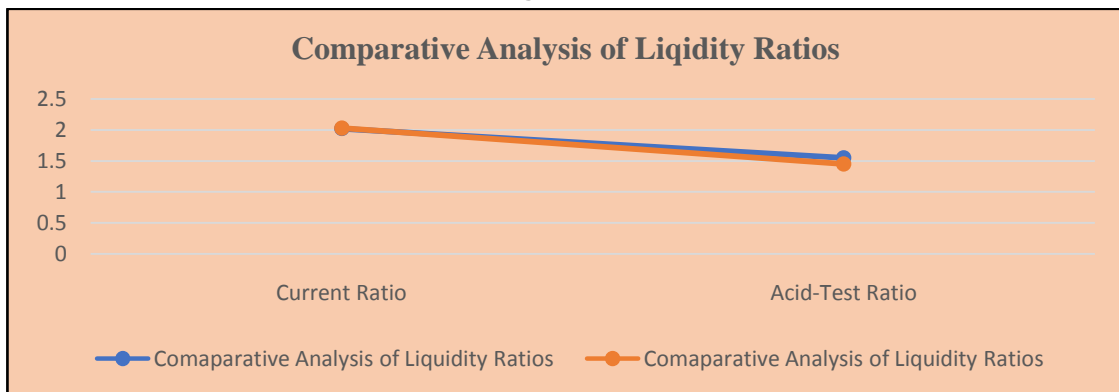


Table: 3(b)

Comparative Analysis of Liquidity Ratios		
	Averages : 2011-12 to 2015-16	Averages : 2016-17 to 2019-20
Current Ratio	2.02	2.03
Acid-Test Ratio	1.55	1.45

Figure:3(b)



After analysing the current and acid-test ratios presented above in table 1(b) and 2(b) along with their respective figures, it is observed that current and acid-test ratios of selected company were 1.78 and 1.23 in the year 2011-12 respectively, while in the year of transition i.e 2016-17 these ratios were in their highest peaks by attaining the level of 2.32 and 1.76 respectively. Observations under trend analysis also support the above analysis and it can be easily observed that in the year 2019-20 both the ratios had been fallen to their lowest level 1.68 and 1.05 and same pictures can be seen in their trend values 0.94 and 0.85.

The table 3(b) along with corresponding figure 3(b) indicates the averages of current and acid-test ratios by considering ratios calculated before and after adoption of Ind-AS. An attempt had been made to test both the averages calculated under both the regime (before and after adoption of Ind-AS). The results showed that the averages of current and acid-test ratio were 2.02 and 1.55 respectively before adoption of Ind-AS, while on the other hand 2.03 and 1.45 respectively. After analysing the results, it is said that there is decline in averages of both the ratios, obviously the decline is not significant.

Solvency Ratios

Solvency ratios show the ability of the business enterprise to survive and operate in long run. They indicate the long-term stability and fitness for future trading of a firm. These ratios are very important for stockholders and creditors. The main solvency ratios consisted of four variables undertaken for consideration have been listed below in Table-1(c) to Table-5(c) along with their concern graphical presentations listed as Figure-1(c) to Figure-5(c).

Analysis of Solvency Ratios

Table: 1((c)

Debt-Equity Ratio		
Year	Ratio	Trend %
2011-12	0.01	100
2012-13	0.03	300
2013-14	0.07	700
2014-15	0.04	400
2015-16	0	0
2016-17	0.01	100
2017-18	0	0
2018-19	0.04	400
2019-20	0.13	1300
Average: 2011-12 to 2015-16= 0.03		
Average: 2016-17 to 2019-20= 0.08		

Figure: 1(c)

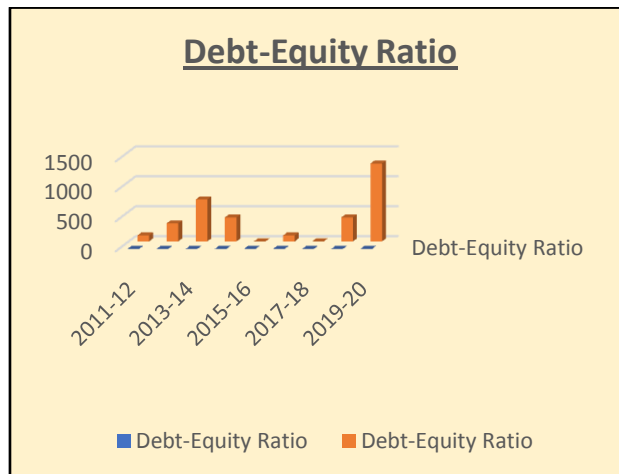
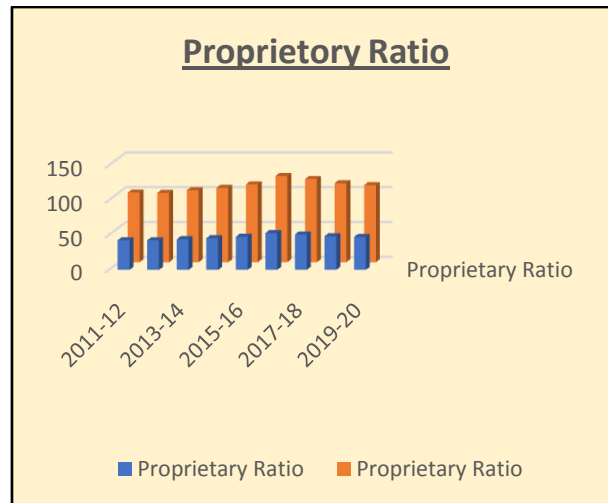


Table: 2(c)

Proprietary Ratio		
Year	Ratio	Trend %
2011-12	42.61	100
2012-13	42.55	99.58
2013-14	44.07	103.42
2014-15	45.46	106.69
2015-16	47.63	111.78
2016-17	52.79	123.79
2017-18	50.88	119.41
2018-19	48.33	113.42
2019-20	47.14	110.63
Average: 2011-12 to 2015-16= 44.46		
Average: 2016-17 to 2019-20= 49.78		

Figure: 2(c)**Table: 3(c)**

Capital Gearing Ratio		
Year	Ratio	Trend %
2011-12	0.01	100
2012-13	0.04	400
2013-14	0.06	600
2014-15	0.05	500
2015-16	0.07	700
2016-17	0.18	1800
2017-18	0.08	800
2018-19	0.13	1300
2019-20	0.11	1100
Average: 2011-12 to 2015-16= 0.05		
Average: 2016-17 to 2019-20= 0.13		

Figure: 3(c)

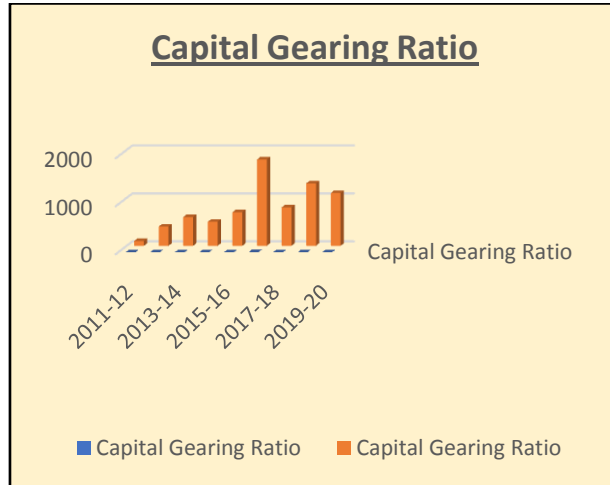


Table: 4(c)

Interest Coverage Ratio		
Year	Ratio	Trend %
2011-12	196.71	100
2012-13	75.66	38.46
2013-14	39.09	19.87
2014-15	24.78	12.6
2015-16	-2.27	-1.15
2016-17	2.73	1.39
2017-18	7.29	3.71
2018-19	8.02	4.08
2019-20	-0.35	-0.18
Average: 2011-12 to 2015-16= 66.79		
Average: 2016-17 to 2019-20= 4.42		

Figure: 4(c)

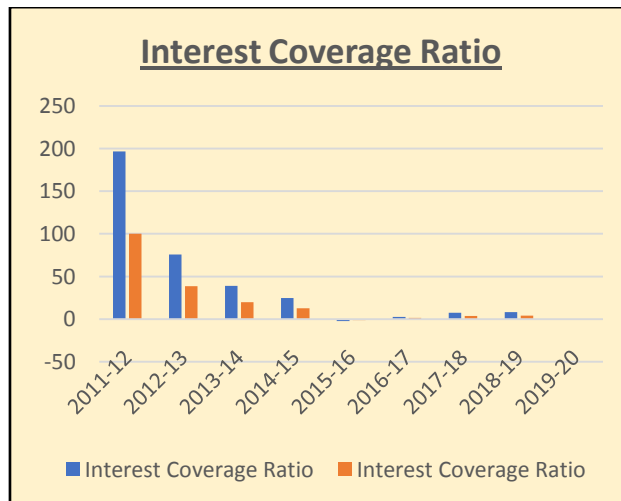
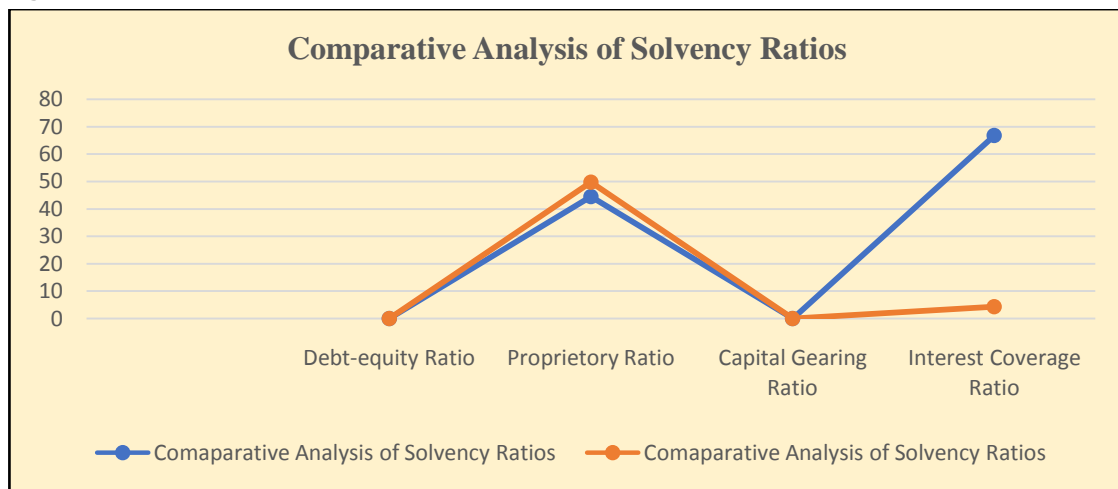


Table: 5(c)

Comparative Analysis of Solvency Ratios		
	Averages : 2011-12 to 2015-16	Averages : 2016-17 to 2019-20
Debt-equity Ratio	0.03	0.08
Proprietary Ratio	44.46	49.78
Capital Gearing Ratio	0.05	0.13
Interest Coverage Ratio	66.79	4.42

Figure: 5(c)



Source: Annual reports of BHEL and <https://www.businessstandard.com>

The above tables and figures [from table and figure 1(c) to 4(c)] have been considered for examining all the four variables of solvency ratios, while table and figure 5(c) have been taken for examining the averages of these variables before and after adoption of Ind-AS. The analysis of each variable has been explained below:

- On examining the Debt-Equity ratio [refer table and figure 1(c) above] of selected company it is observed that the amount of said ratio has been rapidly fluctuating, as the results indicate the value of ratios 0.01, 0.03, 0.07, 0.04, and 0.00 during pre-transition period from 2011-12 to 2015-16, while during post transition period from 2016-17 to 2019-20 it is seen as 0.01, 0.00, 0.04 and 0.13 respectively. In the year 2015-16 and 2017-18 it reached its lowest level i.e zero which means in these years company had no debts against equity but during the year 2019-20 it was on its highest peak i.e 0.13 which shows that investors of external equity had again gain faith in the company. The optimal debt-equity ratio should be 2 but in present situation it seems much lower than the optimal which is not a good sign for company.
- The analysis of Table and Figure 2(c) about proprietary ratio reveals that there is no significant impact of adoption of Ind-AS on proprietary. The analysis shows that it consistently maintained and varied between 42.55 to 52.79. While examining the averages of pre and post regime it is clearly appears that the average proprietary ratio during pre-transition period was 44.46% as compare to post regime period when it was 49.78%, an average increase of 5.32% was observed. Proprietary ratio is basically and indicator of good financial health of a firm according to which higher proprietary ratio lead to higher equity shareholders fund invested in firm as compare to total assets held by the firm and the level of this ratios has been increased in post-transition period, though in pre-transition period it not bad but also good.
- The Analysis of Table and Figure 3(c) concerned with Capital gearing ratio states that there is a continuous increase in said ratio during the period of study. While examining the averages of pre and post regime it is clearly appears that the average Capital gearing ratio during pre-transition period was 0.05 as compare to post regime period when it was reported at 0.13, an average increase of 0.08 was observed which indicates that during post-transition period the ratio was highly geared.

- The Analysis of Table and Figure 4(c) concerned with Interest coverage ratio states that there is rapid decrease in this ratio during period of study. While examining the averages during pre and post adoption regime the result was shocking when average of ratio during pre-transition period was reported 66.79 as compare to post regime period when it was reported at 4.42, a decline of 62.37 was reported.
- A comparative analysis had been made by using Table and Figure 5(c) above, which consisted of calculated averages of all the four variables taken under solvency ratios. The data reveals that average debt-equity ratio, proprietary ratio and capital gearing ratio had been increased during post adoption period which jumped from 0.03 to 0.08, 44.46 to 49.78 and .05 to 0.13 respectively but a significant decline had been observed in interest coverage ratio which declined from 66.79 to 4.42.
- Hence, the situation indicates that adoption of Ind-AS has no significant impact on solvency position of selected company. The results indicate that average solvency ratios of the company because of attaining average ideal ratios by all the four variables, it is said that selected company is in the position of satisfactory debt repayment capacity

Activity Ratios

Activity ratios indicate the efficiency with which the resources available to the enterprise are utilised. The basis for calculation of these ratios is sales or cost of goods sold. Activity ratios show how frequently the assets are converted into cash or sales. Some of the key turnover ratios consisted of three variables have been undertaken for consideration and listed below in Table-1(d) to Table-4(d) along with their associated graphical presentation which have been shown in Figure-1(d) to Figure-4(d) below.

Analysis of Activity Ratios

Table: 1(d)

Asset Turnover Ratio		
Year	Ratio	Trend
2011-12	5.66	1
2012-13	4.97	0.88
2013-14	3.6	0.63
2014-15	2.57	0.45
2015-16	3.05	0.54
2016-17	5.78	1.02
2017-18	5.24	0.92
2018-19	5.24	0.92
2019-20	3.49	0.62
Average: 2011-12 to 2015-16= 3.97		
Average: 2016-17 to 2019-20= 4.94		

Figure: 1(d)

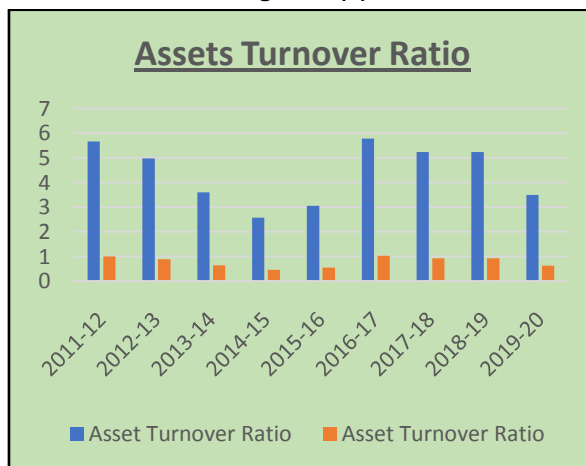
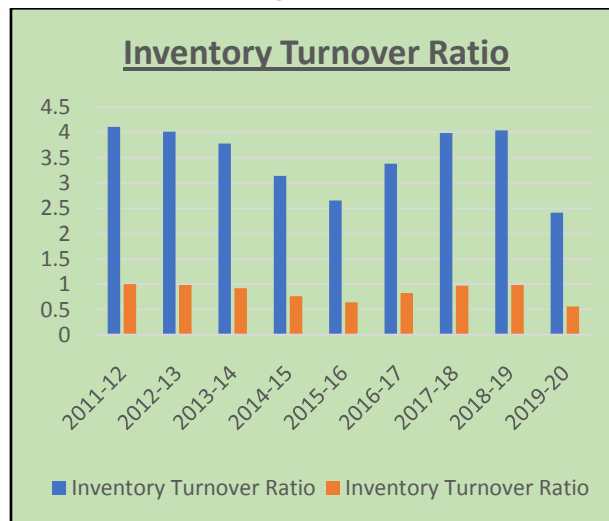


Table: 2(d)

Inventory Turnover Ratio		
Year	Ratio	Trend
2011-12	4.11	1
2012-13	4.01	0.98
2013-14	3.78	0.92
2014-15	3.14	0.76
2015-16	2.65	0.64
2016-17	3.38	0.82
2017-18	3.99	0.97
2018-19	4.04	0.98
2019-20	2.41	0.56
Average: 2011-12 to 2015-16= 3.54		
Average: 2016-17 to 2019-20= 3.45		

Figure: 2(d)**Table: 3(d)**

Trade Receivable Turnover Ratio		
Year	Ratio	Trend
2011-12	2.16	1
2012-13	1.83	0.85
2013-14	1.43	0.66
2014-15	1.17	0.54
2015-16	1.1	0.51
2016-17	1.33	0.62
2017-18	1.59	0.74
2018-19	2.35	1.09
2019-20	2.27	1.05
Average: 2011-12 to 2015-16= 1.54		
Average: 2016-17 to 2019-20= 1.88		

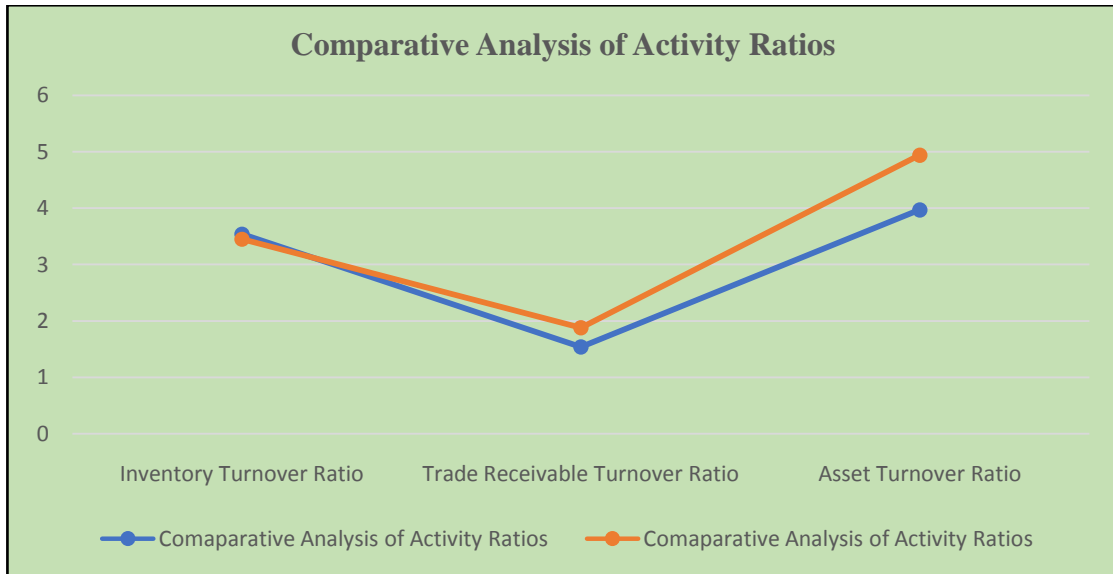
Figure: 3(d)



Table: 4(d)

Comparative Analysis of Activity Ratios		
	Averages : 2011-12 to 2015-16	Averages : 2016-17 to 2019-20
Inventory Turnover Ratio	3.54	3.45
Trade Receivable Turnover Ratio	1.54	1.88
Asset Turnover Ratio	3.97	4.94

Figure: 4(d)



Source: Annual reports of BHEL and <https://www.business standard.com>

The above tables and figures [from table and figure 1(d) to 3(d)] have been considered for examining all the three variables of activity ratios, while table and figure 4(d) has been taken for examining the averages of these variables before and after adoption of Ind-AS. The analysis of each variable has been explained below:

- Table and figure 1(d) concerning with Assets Turnover ratio of selected company indicates that there is no significant change in the ratio which ranges from 5.66 times to 3.49 times, while their corresponding trend values from 1 to 0.62 during the period of study from 2011-12 to 2019-20. The data reveals that the efficiency of selected company had become declined during the period of study.
- Table and figure 2(d) concerning with Inventory Turnover ratio of selected company had been maintain at an average level ranges between 4.11 times to 2.41times, while their corresponding trends from 1 to 0.56 during the period of study from 2011-12 to 2019-20. The results showed that ITR had become lowered in recent years mainly during post adoption period which implies weak sales and possibly excess inventory.
- Table and figure 3(d) above are related to Trade Receivable Turnover ratio of selected company had been maintain at an average level ranges between 2.16 times to 2.27 times, while their corresponding trends from 1 to 1.05 during the period of study from 2011-12 to 2019-20. Data reveals that an increase in the average but this increase is not significant as receivable ratios should be ranged between 5 to 10 times as advisable.
- A comparative analysis had been made by using Table and Figure 4(d) above which consisted of calculated averages of all the three variables taken under activity ratios. The data reveals that average assets turnover ratio had been declined whereas inventory turnover ratio and trade receivable turnover ratio had been increased during post adoption period which jumped from 3.54 to 3.45, 1.54 to 1.88 and 3.97 to 4.94 respectively.

The results indicate that the efficiency of the company was better before adoption of Ind-AS, a nominal decline is noted in every turnover ratio which is not a good sign for company. It is a time to make efforts for boosting up efficiency position of company.

Conclusion and Suggestions

From the study, it is found that the profitability condition of the company was better before adoption of Ind-AS, a huge decline in almost every key profitability ratio is noted in post adoption period which is a bad sign as well as put a question mark on the survival of company in future. Analysis of liquidity ratios indicates that both the liquidity ratios had been maintained at an average level hence, it is said the selected company is in the position of satisfactory debt repayment capacity. The solvency ratios indicate that adoption of Ind-AS has no significant impact on solvency position of selected company and it is said that selected company is in the position of satisfactory debt repayment capacity in long run. It is a time to make efforts for boosting up efficiency position of company. Finally, after analysing all the ratios, it is clear that the decrease in profits for the company is due to the decreasing profitability during the period of five years. Increasing costs and decreasing sales have resulted in the decline of gross profits and the net profits. Therefore, the company should try to increase the sales volume by reducing the costs to increase the profits and improve the profitability position.

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