

# **Adoption Of Ind AS (Accounting Standard): An Appraisal of The Impact on Financial Performance of Bharat Heavy Electricals Limited (BHEL)**

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## **Abstract**

*The present study is based on the BHEL as one of the leading public sector enterprises which has significant impact on engineering and manufacturing capabilities of India in a variety of industry sectors, including power, transportation, renewables, water, oil and gas, aerospace, and defense. The study is conducted on financial performance of BHEL after adoption of Ind AS for the period of 5 years i.e. 2020-21 to 2024-25. The ratio analysis is used to know about the liquidity, profitability and efficiency of BHEL. In this study, Current Ratios, Liquid Ratios, Return on Assets, Return on Equity, Debtors Turnover Ratios and Creditors Turnover Ratios are analyze and interpret the performance of BHEL for the period of 5 years.*

**Keywords** - Current Ratios, Creditors Turnover Ratios, Debtors Turnover Ratios, Ind AS, Liquid Ratios, Return on Assets, Return on Equity.

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## **I. INTRODUCTION**

On 17th November, 1955, the Government of India signed an agreement with Associated Electrical Industries (AEI), UK, for the establishment of Heavy Electricals (India) Limited (HE(I)L) at Bhopal in the Public Sector. Under the Ministry of Industry and Commerce, Heavy Electricals (India) Limited (HE(I)L) was established on 29th August, 1956. On 13th November, 1964, Bharat Heavy Electricals Limited was born and formally incorporated. The operations of the HE(I)L and BHEL formally merged by the Government of India in January 1974.

BHEL plays a big role in boosting India's engineering and manufacturing skills across many industries like power, transportation, renewable energy, water, oil and gas, aerospace, and defense. The equipment made by BHEL helps produce 60% of the electricity used in India. The company HAS 16 factories spread throughout the country that make equipment following the latest national and global standards. The people working at BHEL have been a key factor in the company's success.

BHEL as one of the leading public sector enterprises has dedicated role in supporting the country's development with the close association with the Government, Research and Educational institutional, other public and private companies and industry associations.

The Institute of Chartered Accountants of India (ICAI) constituted Accounting Standards Board on 22th April, 1977 in India. While creating the accounting standards, ASB will take into account the IAS as well as relevant laws, customs, usages, and the Indian corporate environment.

There are two options regarding the adoption of IFRS in India i.e., first, to adopt IFRS completely or second, converge the existing Indian Accounting Standards and make them compatible with IFRS. In 2007, India had officially decided to converge the existing Indian Accounting Standards with IFRS which are known as Indian Accounting Standards (Ind AS). On 2015, Ministry of Corporate Affairs (MCA) had launched a new roadmap for the implementation of New Ind AS with effect from 1st April 2015 as voluntary basis and from 1st April 2016 as mandatory for all companies other than the insurance companies, banking companies and non-banking finance companies.

The BHEL has successfully implemented Ind AS which introduced and notified by Ministry of Corporate Affairs in India with effect from 1st April 2016 as mandatory.

## II. REVIEW OF THE LITERATURE

- ❖ **R.D. Shreya and Dr. S. Baskaran.** They present paper on “a study on the financial analysis of Bharat Heavy Electricals Limited – Electronics Division”. They study about the financial performance of BHEL for 5 years (2018-2022) and evaluate the liquidity and solvency conditions of BHEL. They concluded that the ratios and metrics of BHEL has fluctuated over the 5 years.
- ❖ **Dr. Manpreet Singh and Parvinder Kaur.** They present paper on “Financial Performance Analysis of Bharat Heavy Electricals Limited Through Du Pont Model”. They analyze the financial performance of BHEL with the help of Du Pont Model. They concluded that the performance of the company is not good and showed a poor position of return on equity during the study period.
- ❖ **Dr. Aftab Alam and Mr. Rashid Iqubal Ansari.** They present paper on “a study on financial performance of bharat heavy electricals limited (BHEL) by using different ratios”. They analyze the financial performance to determine the liquidity and solvency condition of BHEL. They concluded that the current and liquid ratios are not maintained by the company and the company’s working capital management at the end of 2021-2022 was at satisfactory level.
- ❖ **Surajit Das and T. R. Saha.** They studied the comparison between IFRS and Indian GAAP. They analyzed the effects of IFRS adoption on the financial statement and market value prepared by the Indian Companies.
- ❖ **Kanishka Gupta and Dolly Gaur.** They investigated the implementation and adoption of IFRS in India. With the help of the opinions of 35 Chartered Accountants, they concluded that the IFRS are not still completely adopted by the Indian companies. They also examined the benefits and challenges of IFRS adoption.

## OBJECTIVES

- ❖ To study the financial performance of BHEL after adoption of Ind AS.
- ❖ To know the liquidity, profitability and efficiency of BHEL with the help of ratio analysis.

## III. RESEARCH METHODOLOGY

The present research paper is based on secondary data like annual reports, journals, articles and other websites. The financial data has been collected from annual reports for the period of 5 years i.e. 2020-21, 2021-22, 2022-23, 2023-24 and 2024-25. The financial performance of BHEL has been analyze by using different ratios.

- ✓ Current Ratios (CL)
- ✓ Liquid Ratios (LR)
- ✓ Return on Assets (ROA)
- ✓ Return on Equity (ROE)
- ✓ Debtors Turnover Ratios
- ✓ Creditors Turnover Ratios

## ANALYSIS AND INTERPRETATION

- ❖ Current Ratio = Current Assets ÷ Current Liabilities

Table 1 showing current ratios of 5 years:

Year	Current Assets	Current Liabilities	Current Ratios
2020-21	28334.02	20321.66	1.39
2021-22	27861.98	21371.15	1.30
2022-23	30082.28	23351.44	1.29
2023-24	34545.69	25332.80	1.36
2024-25	42759.77	28230.88	1.51

(Source: Annual Report of BHEL 2020-21 to 2024-25)

## Interpretation

The ideal current ratio is 2:1. Here, the current ratios of company in all 5 years has more than 1, but the ratios are continuously decreasing from 2020-21 to 2022-23 and thereafter, starts increasing. Therefore, it shows that the company is improving its position.

- ❖ Liquid Ratios = Liquid Assets ÷ Current Liabilities

Table 2 showing Liquid ratios of 5 years:

Year	Liquid Assets	Current Liabilities	Liquid Ratios
2020-21	21142.79	20321.66	1.04
2021-22	21301.77	21371.15	1.00
2022-23	23326.38	23351.44	1.00
2023-24	27325.12	25332.80	1.08
2024-25	32890.28	28230.88	1.17

(Source: Annual Report of BHEL 2020-21 to 2024-25)

### Interpretation

The ideal Liquid ratio is 1:1. Here, the Liquid ratios of company in all 5 years has more than 1, but the ratios are continuously decreasing from 2020-21 to 2022-23 and thereafter, starts increasing. It also shows that the company maintained ideal ratio of Liquid ratio (1:1) in 2021-22 and 2022-23.

- ❖ Return on Assets = Profit after tax/Total Assets

Table 3 showing Return on Assets of 5 years:

Year	Profit after tax	Total Assets	Return on Assets
2020-21	(2717.14)	55701.24	(0.05)
2021-22	410.24	56708.32	0.01
2022-23	447.55	59803.91	0.01
2023-24	259.89	59417.43	0.004
2024-25	512.97	68479.32	0.01

(Source: Annual Report of BHEL 2020-21 to 2024-25)

### Interpretation

As per the above table, the return on assets ratios is negative in 2020-21. Thereafter, it becomes positive which means more efficient of company's management is at managing its balance sheet to generate profits. But, in the year 2023-24, due to low profit, the ratio decreases from the year 2022-23.

- ❖ Return on Equity = Profit after tax /Total Equity

Table 4 showing Return on Equity of 5 years:

Year	Profit after tax	Total Equity	Return on Equity
2020-21	(2717.14)	26484.05	(0.10)
2021-22	410.24	26971.16	0.02
2022-23	447.55	27262.16	0.02
2023-24	259.89	24850.59	0.01
2024-25	512.97	25113.01	0.20

(Source: Annual Report of BHEL 2020-21 to 2024-25)

### Interpretation

As per the above table, the return on equity ratios is negative in 2020-21. Thereafter, it becomes positive which means company has generating profit from investments which is received from its shareholders. But, in the year 2023-24, due to low profit, the ratio decreases from the year 2022-23.

- ❖ Debtors Turnover Ratios = Revenue/ Total Debtors

Table 5 showing Debtors Turnover Ratios of 5 years:

Year	Revenue	Total Debtors	Debtors Turnover Ratios
2020-21	17308.44	4033.63	4.29
2021-22	21211.09	3024.75	7.01
2022-23	23364.94	3128.35	7.47
2023-24	23892.78	4785.38	4.99
2024-25	28339.48	5884.35	4.82

(Source: Annual Report of BHEL 2020-21 to 2024-25)

### Interpretation

Above table shows that the debtors turnover ratios are increasing from 2020-21 to 2022-23 and higher in 2022-23 i.e. 7.47. Therefore, the company's ability to collect revenue from its debtors is high to the year 2022-23 but thereafter, starts decreasing.

- ❖ Creditors Turnover Ratios = Revenue/ Total Creditors

Table 6 showing Creditors Turnover Ratios of 5 years:

Year	Revenue	Total Creditors	Creditors Turnover Ratios
2020-21	17308.44	6677.74	2.59
2021-22	21211.09	7749.59	2.74
2022-23	23364.94	9895.83	2.36
2023-24	23892.78	8696.24	2.75
2024-25	28339.48	9540.92	2.97

(Source: Annual Report of BHEL 2020-21 to 2024-25)

### Interpretation

As per above table, the creditors turnover ratios are fluctuating over the 5 years and higher in 2024-25 i.e. 2.97 which means that the company has pay its creditors more frequently.

#### IV. CONCLUSION

Financial soundness of a company is a main component for the shareholders as they make decision regarding investment in the company depends on its financial soundness. The present study was conducted to analyze and interpret the financial performance of Bharat Heavy Electricals Limited with the help of using different ratio analysis i.e. Current Ratios, Liquid Ratios, Return on Assets, Return on Equity, Debtors Turnover Ratios and Creditors Turnover Ratios for a period of 5 years.

Based on the analysis, the performance of the company has been changing a lot. In the year 2020-21, the company bear losses but thereafter, the company earn profit and in the year 2023-24, the profit became low. From the year 2020-21 to 2022-23, the company was not able to maintain its current ratios and liquid ratios as both are decreasing but the debtors turnover ratios are continuously increasing but after 2022-23, it starts decreasing and creditors turnover ratios are fluctuated. Therefore, it can also be said that the overall performance of the company is not very much good but the company has been trying to improve its return in 2021-22, 2022-23 and 2024-25 as to improve its overall financial health.

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