A COMPARATIVE STUDY OF FINANCIAL HEALTH OF ENGINEERING UNITS

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ABSTRACT

This paper attempts to analyse the financial strength of two selected units situated at vitthal udyognagar. This study is significant in view point of investors because they want to invest their surplus into the securities of corporate but it requires analysing the financial performance to take accurate decision regarding investment. Here, the study provide focus on the financial performance of two units to analyse which one is more strong in view point of the financial health. The researcher has selected two units i.e. ELECON & ROLCON.

KEYWORDS: financial performance, ELECON, ROLCON.

INTRODUCTION

There are four executive function of financial management such as financing decision, dividend decision, liquidity decision & Investment decision. Financial performance is the composition of all these executive as well as routine functions. A good financial performance indicates the efficiency and financial soundness of the corporate body. If the financial performance is good than the potential investors can come to invest their surplus but for that they have to analyse the financial strength to take accurate decision regarding investment in the securities of corporate entity which is not possible without proper financial analysis and it requires intellectual skill pertaining to financial analysis of the corporate entity. Financial performance is the key to measure the economic soundness of the corporate body. There are so many techniques for the financial analysis.

RESEARCH METHODOLOGY: this study provides focus on the economic soundness of two engineering units i.e. ELECON & ROLCON. Both units are situated at vitthal udyognagar. The researcher has selected these two units for the comparative study of financial performance of both of them which is essential to understand which one is sounder in context to the financial health is concern. The researcher has undertaken this analysis for five year from 2003-04 to 2007-08 with the help of t-test.
PROFILE OF SELECTED ENGINEERING UNITS

ELECON ENGINEERING CO.LTD: The company has a modern manufacturing facility on a 20 acre plot of land located at Vithal Udyognagar Gujarat State, about 45 km from Vadodara. Way back in 1951 Elecon set out its journey to scale new heights excellence, creating landmark at every juncture. From elevator and conveyors, to high quality gears and material handling equipments. elecon’s product range and field expertise in material handling equipment in unsurprised. It was one of the first to introduce the concept of mechanized bulk material handling equipment in India. Since then, the company has grown to become the single largest company having a composite range of almost all types of bulk material handling equipment and products to choose from. From a two product company (elevators and conveyors, from which incidentally, the company derives its name),Elecon has today broad based its production to cater to diverse requirements.

Elecon set up separate gear division in the year 1976. Elecon is also known for its pioneering acts in India. The first two introduce modular design concept, case hardened and ground gear technology in India. These path breaking efforts are backed by full fledged departments employing a strong, skilled work place. Elecon designs & manufactures a wide range of worm, parallel shaft & right angle shaft, helical & spiral bevel helical gears with horizontal and vertical output shafts in various size, from single to quadruple stage reduction. These gears have reduction ratio ranging from! 1:6:1 to 630:1 & are capable transmitting power from 0.7kw to as high as 3,850kw. Elecon’s helical gearboxes are compact and light, thereby saving space, reducing foundation structure cost and lubricating oil consumption. These gearboxes are specially designed to operate at optimum efficiency wherever they have been installed whether in coal handling plant in power stations, for material handling system in coal and lignite mines, cement factories, steel plants, fertilizer plants, sugar plants or ports. Included in Elecon’s wide range are specialized gear boxes for cooling towers in power plant and telecomm and antenna drives for the Indian space programmed, as well as variety of gear drive unit for steel plant applications.

Elecon Gear Division is acknowledged in the industry as the most modern in the country. More than 85% of their machinery is computer controlled, ensuring a high degree of precision in the manufacture, and testing of gear components. Apart from a large concentration of COMPUTERIZED NUMERICALLY CONTROLLED [CNC] MACHINES, they have flexible machining systems, a battery of state-of-the-art, quality control equipment, facilities for on line computerized inventory control, production planning, execution programmers, and future plans for setting up the largest EDP Canter in the Indian Engineering Industry.

The latest additions to their production line are planetary gearboxes for marine and other applications, which have already been delivered for use on the offshore patrol vessels of the Indian Cost Guard. These are very compact, high precision gearboxes, capable of transmitting up to 4,700kw of power.

Elecon has an established Customer Service Division which is catering for easy and speedy supply of spares also comprising of an up to date and experienced Engineers to immediately
render After Sales Services. They have also established Area Service Divisions spread over the country at various centers at Bombay, Calcutta, Delhi, Madras, Secunderabad, Alanson etc.

### ELECON ENGINEERING CO.LTD AT GLANCE

<table>
<thead>
<tr>
<th>Total employment</th>
<th>801</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of director</td>
<td>shri prayasvin b.patel (chairmen and m.d.)</td>
</tr>
<tr>
<td>Company secretary</td>
<td>shri paresh shukla</td>
</tr>
<tr>
<td>Chief financial officer</td>
<td>shri hemendra c. Shah</td>
</tr>
<tr>
<td>Bankers</td>
<td>state bank of india</td>
</tr>
<tr>
<td>Registered office</td>
<td>vithal udhyog nagar-388121.Gujarat (india)</td>
</tr>
</tbody>
</table>

### ROLCON ENGINEERING CO. LTD.

Rolcon's modern Chain and Sprockets, manufacturing plants were established in 1967 in technical and financial collaboration Messers Kohler + Bovenkamp GMBH + Co., West Germany, makers of world famous 'KOBO' chains, having more than 105 years of experience in the field. Rolcon being ISO 9001 certified is the largest manufacturer of Chains and Sprockets in the country. Its plant is equipped with most modern CNC machines. Special purpose machinery. New range of heat treatment machinery, and Latest testing facilities. Rolcon's complete manufacturing range consists of Precision Industrial Transmission Chains conforming to the international standards like ISO 606 / DIN 8187 / BS 228 / ASME B29 IN / API 7F-0017. It also manufactures, and exports Conveyor, Elevator and Special Purpose Chains, and all suitable size of Sprockets for the above stated Chains.

Rolcon's Chains & Sprockets are mainly utilized in the various industries such as Cement, Fertilizer, Steel, Sugar, Chemical, Mining, Paper Plants, ONGC & many more industries etc. Rolcon’s strong network of distributors as well as sales outlets throughout India helps its esteemed customers for better communications, quick deliveries, and prompts after sales services. Rolcon’s chains are well known for its highest breaking loads, Excellent wear life, and increased fatigue strength. All the above have been achieved by selecting appropriate material, precise heat treatment, rigid quality control and constant R & D efforts done indigenously as well as from its West German collaborators. A special marketing team of Rolcon guides, and recommends its esteemed clients for total solution for their specific requirements, and problems of chain and sprocket drives including design. Backed by 36 years of experience in its field Rolcon has also gained lots of practical experience from its customers who are using Rolcon chain and sprockets. This experience is continuously fed back to Rolcon’s production department, which accounts for the high quality standard for its products. A team of engineers and technical experts are continuously doing R&D and incorporating latest technical advances to improve the quality of chain and sprockets.
ROLCON ENGINEERING CO. LTD. AT GLANCE

Total employment : 326
Board of Directors : Shri Sushlia S. Patel (Chairman)
                   : Shri S. H. Amin (Managing Director)
Director : Shri I. C. Patel
Chartered Accountant : Shri S. M. Patel
Financial Controller : Shri V.H. Soni
Company Secretary : Kashap Shah & Co.
Bankers : State Bank of India, Corporation Bank
Registered Office & Works : Anand-Sojitra Road,
                          Vithal Udyognagar – 388 121.
Gujarat (India)
Year of Establishment : 1972
Nature of Activities : Manufacturing og Geared Motors in India
Turnover : Rs. 2961.86 Lacs
Category : Medium Scale Industry

TABLE: 1 WORKING RESULTS OF ELECON ENGINEERING CO. LTD. AND ROLCON ENGINEERING CO. LTD. DURING THE PERIOD FROM 2003-04 TO 2007-08
(Rs. In Lacs)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ELECON</td>
<td>Income</td>
<td>16430.0</td>
<td>28073.0</td>
<td>45077.3</td>
<td>72965.28</td>
<td>83622.1</td>
</tr>
<tr>
<td></td>
<td>Expenditure</td>
<td>16215.7</td>
<td>26337.1</td>
<td>40623.9</td>
<td>64395.3</td>
<td>73754.2</td>
</tr>
<tr>
<td></td>
<td>Profit/Loss</td>
<td>2269.5</td>
<td>1252.2</td>
<td>2953.2</td>
<td>5893.2</td>
<td>8271.0</td>
</tr>
<tr>
<td>ROLCON</td>
<td>Income</td>
<td>1467.0</td>
<td>1646.7</td>
<td>2045.7</td>
<td>2432.1</td>
<td>3101.3</td>
</tr>
<tr>
<td></td>
<td>Expenditure</td>
<td>1411.0</td>
<td>1570.4</td>
<td>1922.0</td>
<td>1079.3</td>
<td>2841.7</td>
</tr>
<tr>
<td></td>
<td>Profit/Loss</td>
<td>811.0</td>
<td>102.7</td>
<td>138.1</td>
<td>164.8</td>
<td>273.2</td>
</tr>
</tbody>
</table>

(Source: Annual report sof Elecon Engineering Co. Ltd. and Rolcon Engineering Co. Ltd.)
The above table indicates the data regarding income, expenditure and profit during five years for both the company which have been selected under study on the base of which following hypothesis has been framed and evaluated for analysing the three components of financial health.

**HYPOTHESIS TESTING**

H01: There is no significant difference between mean incomes of Elecon Engineering Co. Ltd. & Rolcon Engineering Co. Ltd.

H11: There is significant difference between mean income of Elecon engineering co. Ltd & Rolcon engineering co.ltd

**MEAN OF INCOME**

<table>
<thead>
<tr>
<th>Company</th>
<th>N</th>
<th>Mean</th>
<th>S.D</th>
<th>S.E</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELECON</td>
<td>5</td>
<td>49234.54</td>
<td>28664.76</td>
<td>12819.27</td>
</tr>
<tr>
<td>ROLCON</td>
<td>5</td>
<td>2138.56</td>
<td>654.71</td>
<td>292.79</td>
</tr>
</tbody>
</table>

`t-value is 3.673 with p-value 0.006. The p-value is less than 0.01. There for it is concluded that there is significant difference between mean income of Elecon engineering co.ltd & Rolcon engineering co.ltd. The null hypothesis is rejected because p-value is less than 0.01.`

H02 : There is no significant difference between mean expenditure of Elecon engineering co.ltd & Rolcon engineering co.ltd

H12 : There is significant difference between mean expenditure of Elecon engineering co.ltd & Rolcon engineering co.ltd

**MEAN OF EXPENDITURE**

<table>
<thead>
<tr>
<th>Company</th>
<th>N</th>
<th>Mean</th>
<th>S.D</th>
<th>S.E</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELECON</td>
<td>5</td>
<td>44265.24</td>
<td>24475.87</td>
<td>10945.94</td>
</tr>
<tr>
<td>ROLCON</td>
<td>5</td>
<td>1764.88</td>
<td>674.04</td>
<td>301.44</td>
</tr>
</tbody>
</table>

`t-value is 3.881 with p-value 0.005. The p-value is less than 0.01. There for it is concluded that there is significant difference between mean expenditure of Elecon engineering co.ltd & Rolcon engineering co.ltd. The null hypothesis is rejected because p-value is less than 0.01.`

H03 : There is no significant difference between mean profit of Elecon engineering co.ltd & Rolcon engineering co.ltd

H13 : There is significant difference between mean profit of Elecon engineering co.ltd & Rolcon engineering co.ltd
MEAN OF PROFIT

<table>
<thead>
<tr>
<th>Company</th>
<th>N</th>
<th>Mean</th>
<th>S.D</th>
<th>S.E</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELECON</td>
<td>5</td>
<td>4127.82</td>
<td>2888.92</td>
<td>1291.99</td>
</tr>
<tr>
<td>ROLCON</td>
<td>5</td>
<td>297.96</td>
<td>293.78</td>
<td>131.38</td>
</tr>
</tbody>
</table>

t-value is 2.949 with p-value 0.018. The p-value is less than 0.05. Therefore it is concluded that there is significant difference between mean PROFIT of Elecon engineering co.ltd & Rolcon engineering co.ltd. The null hypothesis is rejected because p-value is less than 0.05.

CONCLUSION

The working results of the two engineering companies for the period from 2003-04 to 2007-08 indicates the amount of the profit of Elecon Engineering Co. Ltd. was Rs. 2269.5 Lacs during the year 2003-04 and it rose to Rs. 8271.0 Lacs in the year 2007-08, exhibiting 5.5 fold growth during the period from 2003-04to 2007-08 which is to be treated as a good sign of the financial performance of the company. The gross profit of the Rolcon Engineering Co. Ltd. which stood at Rs. 811.0 Lacs in the year of 2003-04 decreased to Rs. 273.2 Lacs during the period from 2003-04 to 2007-08.

From the above analysis we can conclude that the comparative picture of the financial performance of Elecon Engineering Co. Ltd. was better than Rolcon Engineering Co. Ltd.

REFERENCES


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