

Unleashing Revenue Growth Potential of Railway Vikas Nigam Limited through Financial Statement Analysis

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ABSTRACT:

RVNL is a Category-I MiniRatna CPSE under the Ministry of Railways, Government of India.To bridge the infrastructure deficit on Indian Railways, the then Prime Minister, Bharat Ratna Shri Atal Bihari Vajpayee announced National Rail Vikas Yojana (NRVY) on 15th August 2002 in his address from the Red Fort. NRVY was formally launched by Hon'ble PM on 26th December 2002. During the pandemic the projects of RVNL were stopped and there was a delay in the completion of projects undertaken by RVNL. RVNL has also been ranked 1st amongst the Railway PSEs for the 4 times out of the last 5 years.This gave me the motivation to do the financial statement analysis about this Mini-ratna company.The company is performing very well and the stock price doubled within a short span of time and maintaining the same without downfall.

There are many projects undertaken by the company.In this paper the study involves collection of data from the company websites and performing analysis like i)Common size statement analysis)comparative statement analysis iii)trend analysis iv)The company's performance before and after pandemic v)From the interpretation suggesting some new methods to improve the performance of the company vi)The possible ways in which the company can increase the turnover by using Ratio.This analysis focuses on the individual performance of the company in various fields in the project.Thus this analysis is anticipated to help both the company and investors in the company.

LITERATURE REVIEW:

"A PSU railway stock in vogue on D-Street again — here's what's driving it higher

"Rail Vikas Nigam Ltd (RVNL) shares were in high demand on Dalal Street, trading in modest volumes, after the railway infra PSU emerged the lowest bidder (L1) bidder for a Haryana Orbital Rail Corp (HORC) project. The RVNL stock gained by Rs 0.80 or 1.27 per cent to Rs 63.75 apiece on NSE at the strongest level of the day so far.

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I. INTRODUCTION:

Railway Vikas Nigam Limited (RVNL) is a public sector undertaking established by the Ministry of Railways, Government of India, in 2003. The company is responsible for executing railway infrastructure projects, including laying new railway lines, developing stations, and constructing bridges and tunnels. As a publicly traded company, RVNL is required to publish its financial statements every year, which provide valuable insights into the company's financial performance, growth prospects, and overall financial health.

The analysis of financial statements of RVNL can help investors, analysts, and other stakeholders to understand the company's financial position, profitability By examining these statements, analysts can identify key financial ratios and trends, such as revenue growth, profitability margins, debt levels, and cash flow generation.

In this paper, we will conduct a thorough analysis of the financial statements of RVNL, with a focus on identifying the key drivers of the company's financial performance, and assessing its overall financial health. By doing so, we aim to provide a comprehensive overview of RVNL's financial performance, as well as insights into the company's growth prospects and investment potential.

PROBLEM STATEMENT:

Investing in RVNL and analyzing the financial performance of the company using the analyzing tools and techniques .This is a very good company to analyze the difference in the financial performance before and after Covid-19.Suggesting ways to increase turnover.

Null Hypothesis
The company gained more profits in the recent years immediately after Covid-19

OBJECTIVES:

- To do the research using financial tools
- To suggest the ways to increase turnover
- To analyze the performance of the company in recent years

METHODOLOGY:

- Data for the research paper is collected from the RVNL official website annual reports.
- Data is analyzed using the microsoft excel

TOOLS USED FOR ANALYSIS:

- Comparative statement analysis
- Common Size statement analysis
- Trend analysis

ANALYSIS OF PROFIT AND LOSS ACCOUNT:

- **Comparative statement analysis**

Inference:

Comparing the profit and loss statement data for the year 2021 and 2022 by keeping the year 2021 as the base year.From the analysis, the researcher feels that the revenue from operations and total income has increased by 25 percent.Total expenses is increased by 25 percent.Depreciation is decreased by 8 percent which made the company to use the assets efficiently.Profit after tax is increased by 15 percent. Expenditure on operations has increased by 25 percent.

- **Common Size statement analysis**

Inference:

From the analysis the researcher found that the total income is 4 percent more than revenue in both 2021 and 2022.Total expenses decreased by 3 percent and 4 percent in 2021 and 2022 respectively.profit is nearly 7 percent in both years.

- **Trend Analysis**

Inference:

This analysis is done from the year 2019 to 2022.Every year the revenue from operations keeps on increasing.As the revenue is increasing the total income is also keep on increasing at the same rate.Profit after tax is increased more between 2020 and 2021.The researcher feels that because of the covid conditions there is no much difference in the profit after tax in 2019 and 2020.

- **Ratio analysis**

Inventory Turnover ratio:

years	2018	2019	2020	2021	2022
Inventory Turnover ratio	3926.30	2245.45	1582.52	655.75	388.33

A decreasing inventory turnover ratio typically depicts a decline in a company's ability to sell its inventory quickly, which can indicate potential problems with inventory management or sales.A decreasing inventory turnover ratio can also be a warning sign for investors, as it may indicate potential cash flow problems or declining profitability.

Debtors turnover ratio:

years	2018	2019	2020	2021	2022
Debtors Turnover ratio	15.18	14.15	19.68	16.14	17.62

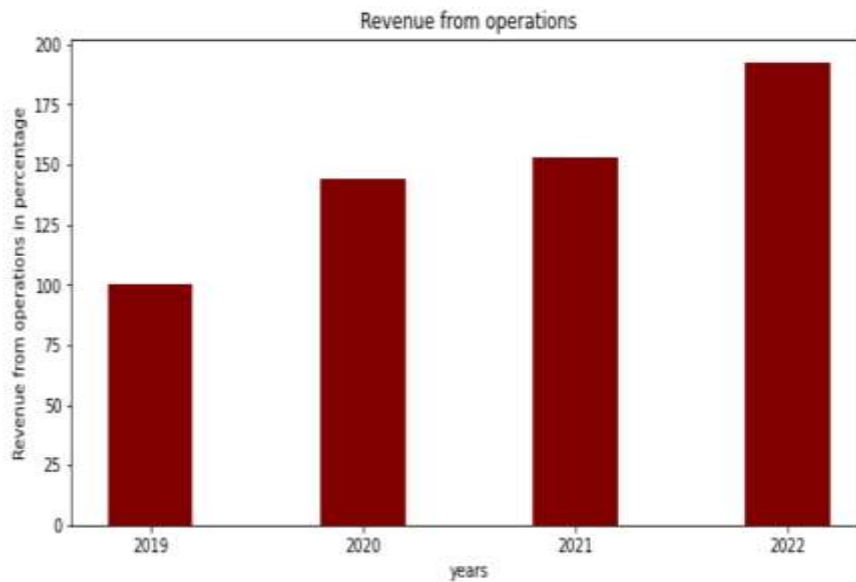
In some years the debtors turnover ratio is less that depicts that the company is unable to get the outstanding receivables quickly.It is fluctuating up and down.

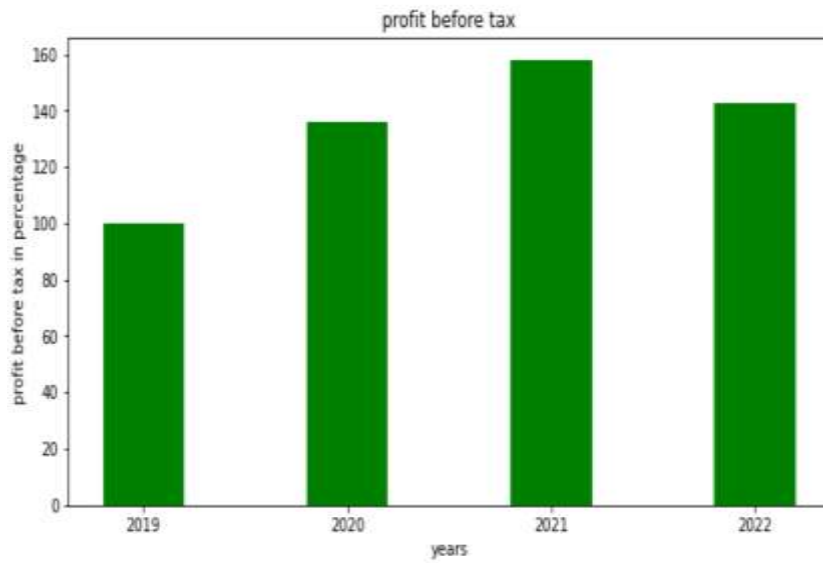
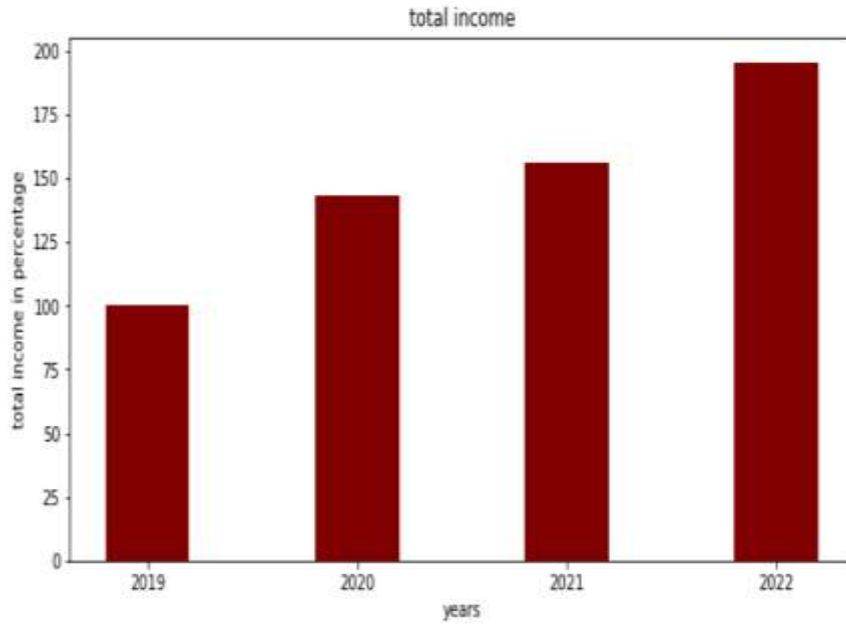
Investments turnover ratio:

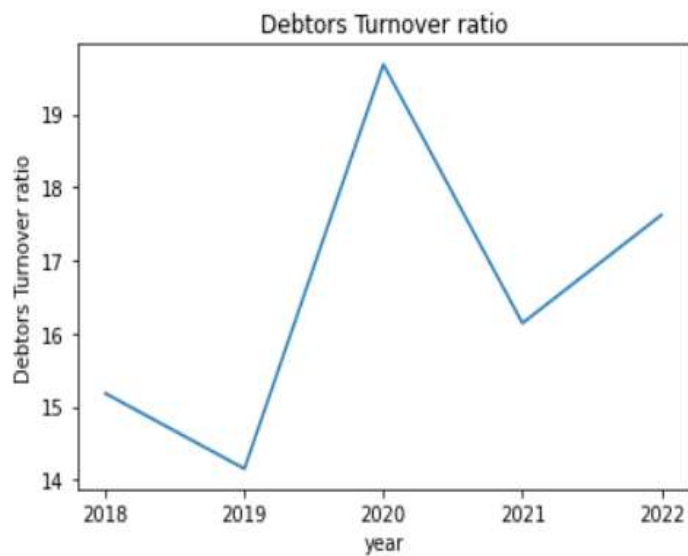
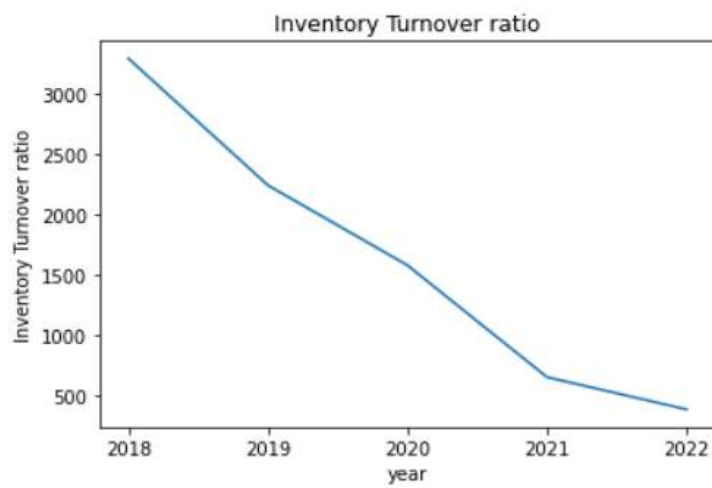
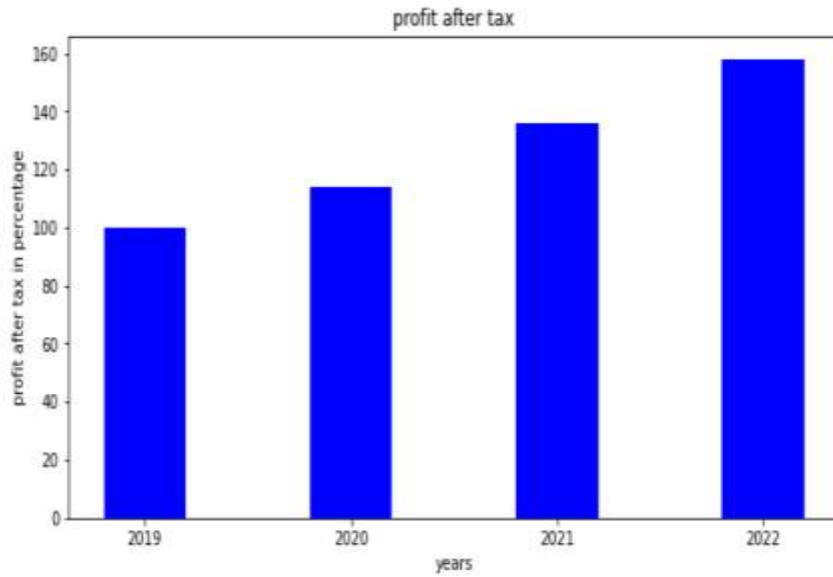
years	2018	2019	2020	2021	2022
Investments Turnover ratio	1.37	1.49	1.66	1.45	1.59

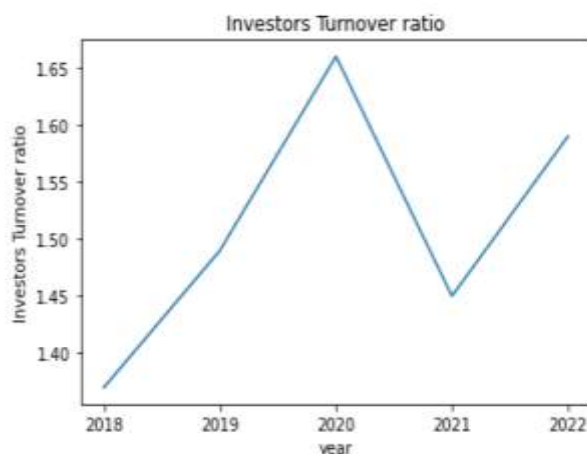
In investment turnover ratio there is not much difference.The company is maintaining nearly the same ratio in all the years.

Overall Analysis:









II. FINDINGS:

- From the research point of view, the researcher found that the ways to increase turnover, RVNL, can explore opportunities in other areas such as urban transport, suburban rail systems, and dedicated freight corridors. This would not only help in generating additional revenue but also help in reducing the dependence on a single business line.
- RVNL can partner with private players in areas such as construction and maintenance of railway infrastructure, operation and management of railway stations, and supply of railway equipment. This would help in increasing the efficiency and quality of services provided by RVNL.
- RVNL can focus on optimizing its cost structure by adopting efficient procurement practices, reducing wastage, and improving operational efficiency. This would help in improving profitability and margins.
- RVNL can increase the scale of its operations by taking up more projects and expanding its presence in new geographies. This would help in leveraging economies of scale and improving the utilization of resources.
- RVNL can invest in technology to improve the efficiency and quality of its services. This can include the use of automation, digitalization, and analytics to improve project management, reduce costs, and improve customer satisfaction.
- RVNL can focus on building strong relationships with its stakeholders, including customers, employees, suppliers, and the community. This would help in improving the brand image and reputation of the company, which in turn would help in attracting new customers and business opportunities.

III. RESULT:

The comparative statement analysis, common size statement analysis and trend analysis gave a good understanding about the performance of the company in various years. The ratio analysis provided the way to suggest some new ways to increase turnover. All the graphs depict the company's performance in the subsequent years.

LIMITATIONS OF THE STUDY:

- In this paper the researcher used only two years in comparative and common size statements
- The researcher didn't calculate all the ratios in ratio analysis.
- The study mainly took the past data as the reference.

WAY FORWARD:

The company can make even more profits by increasing the turnover.

IV. CONCLUSION:

From the researcher point of view, the researcher concluded that the company is performing well when compared to other organizations but to increase more profits it should enter into many sectors. The company should be able to collect all the outstanding receivables as quickly as possible.

REFERENCES:

- [1]. Link to get the annual reports of RVNL : <https://rvnl.org/investor>
- [2]. Link to get the financial ratios of RVNL : <https://www.moneycontrol.com/financials/railvikasnigam/balance-sheetVI/RVN>

ANNEXURE:

Comparative Statement Analysis of Profit and loss account

in Indian crores	2021	2022	(+)/(-)	%(+)/(-)
revenue from operations	15403.65	19381.71	3978.06	25.82543748
other income	756.62	809.26	52.64	6.957257276
total income	16160.27	20190.97	4030.7	24.94203377
expenditure on operations	14229.58	17905.57	3675.99	25.83343992
employee benefits expenses	207.19	203.19	-4	-1.930595106
finance costs	458.14	563.71	105.57	23.04317458
Depreciation, Amortisation and Imp	22.92	20.9	-2.02	-8.813263525
Other Expenses	86.2	91.5	5.3	6.148491879
total expenses	15004.6	18784.87	3780.27	25.19407382
Profit before exceptional items and	1155.67	1406.1	250.43	21.66968079
Profit before tax	1155.67	1406.1	250.43	21.66968079
current tax	226.3	324.13	97.83	43.23022536
earlier year tax	6.44	11.52	5.08	78.88198758
deferred tax	4.73	6.28	1.55	32.76955603
total tax expense	215.13	318.89	103.76	48.231302
profit after tax	940.54	1087.21	146.67	15.5942331
other comprehensive income or los	0.62	0.2	-0.42	-67.74193548
total comprehensive income for the	941.16	1087.01	145.85	15.49683369

Common Size Statement Analysis of Profit and loss Account:

in Indian crores	2021	2022	2021 %	2022 %
revenue from operations	15403.65	19381.71	100	100
other income	756.62	809.26	4.911952687	4.175379778
total income	16160.27	20190.97	104.9119527	104.1753798
expenditure on operations	14229.58	17905.57	92.37797535	92.38385055
employee benefits expenses	207.19	203.19	1.345070811	1.04835951
finance costs	458.14	563.71	2.974230134	2.908463701
Depreciation, Amortisation and Imp	22.92	20.9	0.1487959023	0.1078336225
Other Expenses	86.2	91.5	0.5596076255	0.4720945675
total expenses	15004.6	18784.87	97.40938024	96.92060195
Profit before exceptional items and	1155.67	1406.1	7.502572442	7.254777829
Profit before tax	1155.67	1406.1	7.502572442	7.254777829
current tax	226.3	324.13	1.469132316	1.67234986
earlier year tax	6.44	11.52	0.04180827271	0.05943747997
deferred tax	4.73	6.28	0.03070700775	0.03240168179
total tax expense	215.13	318.89	1.396617036	1.645314062
profit after tax	940.54	1087.21	6.105955407	5.609463768
other comprehensive income or los	0.62	0.2	0.004025020044	0.001031900694
total comprehensive income for the	941.16	1087.01	6.109980427	5.608431867

Trend Analysis of profit and loss account:

Particulars	Note No.	2022	2021	2020	2019	2019	2020	2021	2022
Revenue :									
I. Revenue from operations	20	19,381.71	15,403.65	14530	10068	100	144.31863:	152.99	192.5
II. Other income	21	806.26	756.62	265.58	255.24	100	104.05108:	296.4	317.05
III. Total Income (I + II)		20,187.97	16,160.27	14796.16	10323.92	100	143.31920:	156.54	195.5
Expenses:									
Expenditure on Operations	22	17,305.57	14,229.58	13415.82	9307.65	100	144.13756:	152.88	192.5
Employee Benefits Expenses	23	203.19	207.76	189.94	161.1	100	117.90192:	124.8	126.12
Finance Costs	24	502.71	488.14	40.99	51.97	100	78.873426:	881.27	1084.68
Depreciation, Amortisation and Impairment	25	20.98	22.92	20.29	5.73	100	354.10122:	400	364.74
Other Expenses	26	81.50	85.20	119.24	57.52	100	207.30180:	149.9	159.07
Total Expenses (IV)		18,794.87	15,084.60	13805.33	11.48	100	120255.48:	130696.8	163623.69
V. Profit before exceptional items and Tax (II - IV)		1,406.10	1,105.67	990.83	728.43	100	136.02267:	158.65	193
VI. Exceptional items					12.42	100			
VII. Profit before tax (V + VI)		1,406.10	1,105.67	990.83	839.48	100	118.02901:	158.65	193
VIII. Tax expense:	27								
Current tax		324.13	226.30	206.03	159.98	100	128.78484:	141.455	202.6
Earlier year tax		(11.52)	(8.44)						
Deferred tax			6.28	5.05					
Total Tax Expense (VIII)		318.89	215.13	200.98	151.73	100	132.45897:	141.78	210.1
IX. Profit after tax (VII - VIII)		1,087.21	940.54	789.85	687.74	100	114.84718:	136.75	158
X. Other Comprehensive Income(Loss)									
A. i) Items that will not be reclassified to profit or loss	28	(0.25)	0.74	2.42	1.66	100	145.78313:	224.32	15.06
(ii) Income Tax relating to items that will not be reclassified to profit or loss			0.05	0.37	0.15	100	246.66666:	80	33.33
B. Items that will be reclassified to profit or loss									
Total other comprehensive income(Loss)		(0.28)	0.62	2.05	1.66	100	123.49397:	37.34	12.04
XI. Total Comprehensive Income for the year (IX + X)		1,087.81	941.16	787.8	686.2	100	114.80617:	137.95	158.45
XII. Earnings Per Equity Share (Face Value Rs. 10 per Equity Share)									
Basic	40		5.21	4.31	3.79	100	114.84848:	136.7	157.8
Diluted			5.21	4.31	3.79	100	114.84848:	136.7	157.8
Weighted Average number of Equity Shares		208620108	208620108						
XIII. Corporate information and summary of significant accounting policies	1&2								
XIV. Notes forming integral part of the Financial Statements	3 to 52								

Financial Ratios

Management Efficiency Ratios

Inventory Turnover Ratio	388.33	655.75	1,582.52	2,245.45	3,926.30
Debtors Turnover Ratio	17.62	16.94	19.68	14.85	15.18
Investments Turnover Ratio	1.59	1.45	1.66	1.49	1.35
Fixed Assets Turnover Ratio	46.09	40.84	40.86	34.40	26.52
Total Assets Turnover Ratio	1.59	1.45	1.66	1.49	1.35