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## A STUDY OF FINANCIAL PERFORMANCE ON AUTOMOBILE INDUSTRY WITH SPECIAL HERO MOTOCROP LIMITED

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### ABSTRACT:

This aim of this project is to analysis the liquidity and profitability position of the company using the financial tools. This study is based on financial statements such as Ratio Analysis, Comparative balance sheet. By using this tools combined it enables to determine in an effective manner. The study is made to evaluate the financial position, the operational results as well as financial progress of a business concern. It explains the ways in which ratio analysis can be of assistance in long-rang planning, budgeting and asset management to strengthen financial performance and help avoid financial difficulties.

### INTRODUCTION:

Financial position, defined as the status of financial well-being regarding a company, is important to every single business. The status of the assets, liabilities, and owner's equity (and their interrelationship) of an organization, as reflected in its financial statement.

### COMPANY PROFILE:

Hero MotoCorp Ltd. (Formerly Hero Honda Motors Ltd.) is the world's largest manufacturer of two – wheelers, based in India. In 2001, the Company achieved the coveted position of being the largest two-wheeler manufacturing Company in India and also, the 'World No.1' two-wheeler Company in terms of unit volume sales in a calendar year. Hero MotoCorp Ltd. continues to maintain this position till date.

### VISION:

The story began with a simple vision – the vision of a mobile and an empowered India, powered by its bikes. Hero MotoCorp Ltd., company's new identity, reflects its commitment towards providing world class mobility solutions with renewed focus on expanding company's footprint in the global arena.

### MISSION:

Hero MotoCorp's mission is to become a global enterprise fulfilling its customers' needs and aspirations for mobility, setting benchmarks in technology, styling and quality so that it converts its customers into its brand advocates. The Company will provide an engaging environment for its people to perform to their true potential. It will continue its focus on value creation and enduring relationships with its partners.

## II REVIEW OF LITERATURE

**Kumar Mohan M.S, Vasu. V. and Narayana T. (2016)** the study has been made through using different ratios, mean, standard deviation and Altman's Z score approach to study the financial health of the company. The study reveals there is a positive correlation between liquidity and profitability ratios except return on total assets as well as Z score value indicate good health of the company.

**Ravichandran, M. & Subramaniam M Venkata (2016)** the main idea behind this study is to assessment of viability, stability and profitability of Force motors limited. Operating position of the company can be measured by using various financial tools such as profitability ratio, solvency ratio, comparative statement & graphs etc. This study finds that company has got enough funds to meet its debts & liabilities. Company can further improve financial performance by reducing the administrative, selling & operating expenses.

Jothi, K. & Geethalakshmi, A. (2016) this study tries to evaluate the profitability & financial position of selected companies of Indian automobile industry using statistical tools like, ratio analysis, mean, standard deviation, correlation. The study reveals the positive relationship between profitability, short term and long-term capital.

**Maheswari, V. (2016)** made an attempt to analyze the financial soundness of the Hero Honda motors limited have identified three factors, namely liquidity position, solvency position and profitability position based on the study of period 2010 to 2016 using ratio analysis and Altman's Z score model.

**Agarwal, Nidhi (2015)** the study focus on the comparative financial performance of Maruti Suzuki and Tata motors ltd. The financial data and information required for the study are drawn from the various annual reports of companies. The liquidity and leverage analysis of both the firms are done. To analyze the leverage position four ratios are considered namely, capital gearing, debt-equity, total debt and proprietary ratio. The result shows that Tata motors ltd has to increase the portion of proprietor's fund in business to improve long term solvency position.

**Takeh Ata & Navaprabha Jubiliy (2015)** Author has made conceptual model to outline the impact of capital structure on the financial performance i.e. capital structure is independent variable that value is measured by using four ratios namely, financial debt, total debt equity, total asset debt and interest coverage ratio whereas financial performance is dependent variable that value is measured by using four ratios as return on assets, return on equity, operating profit margin and return on capital employed. Researcher has selected 13 major steel industries and applied various statistical tools like standard deviation, correlation matrix, anova etc are employed for testing hypothesis with help of SPSS22.

**Moses Joshua Daniel (2016)** in his study "A Study on Financial Status of TATA Motors Ltd" stated the main objectives to analyzing the overall financial status of the TATA Motors Ltd by using various financial tools. In order to analyze financial status in terms of Profitability, Solvency, Activity and Financial stability various accounting ratios have been used. It is cleared from the study that 37 the company's financial performance is satisfactory. The company has stable growth and it shows a greater status in all the areas it works. The company has been suggested to reduce the expenditure as it increases every year. Decrease in expenses will increase the profitability.

**Hotwani Rakhi (2013)** the author examines the profitability position and growth of company in light of sales and profitability of Tata Motors for past ten years. Data is analyzed through ratios, standard deviations and coefficient of variance. The study reveals that there not exists a strong relationship between sales & profitability of company.

**Daniel A. Moses Joshunar (2013)** the study has been conducted to identify the financial strength and weakness of the Tata motors Ltd. using past 5year financial statements. Trend analysis & ratio analysis used to comment of financial status of company. Financial performance of company is satisfactory and also suggested to increase the loan levels of company for the better performance.

### III OBJECTIVES OF STUDY:

#### Primary objectives:

- To Study the Financial Performance of Automobile Industry (Two Wheeler)

#### Secondary objectives:

- To Evaluate the Liquidity Position of the Company Under Study
- To Evaluate the Profitability Position of the Company Under Study.
- To Evaluate the Turnover Position of the Company Under Study.
- To Study the Performance of the Company through Comparative Analysis

and Common Size Statement.

### SCOPE OF THE STUDY:

- The project is pertained to the company's data available for past 10 years.
- Their report starts with the outline of the organization in focus, presenting the mission and vision of the organization.
- Those who looking information about financial performance analysis of India Motocrop Limited. They might get help from this report.

### NEED FOR THE STUDY:

- Financial analysis is the starting point for making plans, before using any forecasting and planning procedure.
- Every company should know its financial performance. By knowing the financial performance, they can able to analysis whether the company attains satisfactory level or not. They can able to know the liquidity position, profitability position and the solvency position.
- The financial performance is done whether the funds of the company is utilized in an effective manner or not. So, in order to understand the financial position of Hero Motocrop Limited.
- By analysis of financial performance of Hero Motocrop Limited. It would be able to get a fair picture of the financial positions of the company.
- Whether the financial condition of the firm is sound.
- By showing the financial performance to various lenders and creditors it is possible to get credit in easy terms if good financial condition is maintained in the company within assets out weighting the liabilities.
- This study suggests possible solution to overcome working capital problem.

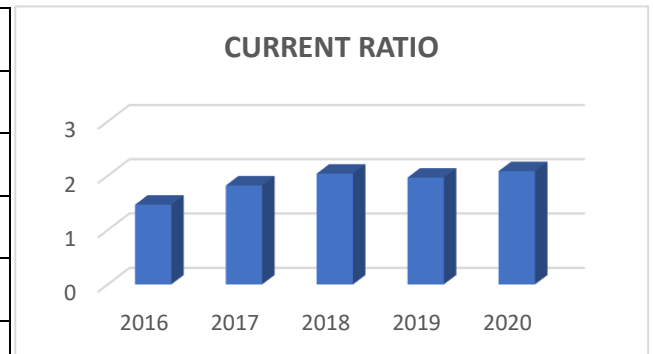
### Limitations:

- Financial statements are generally based on historical book cost.
- The ratio analysis does not predict the future. It shows the historical data.
- The financial position disclosed by balance sheet can't be exact hence they have interim reports.
- The period of study is a short one and in-depth study was not possible.
- To have a better analysis it is advisable to base the study on the monthly or quarterly operational data of the organization. Data of this type are not available for outsiders. So, the study has to bare these limitation

## IV DATA ANALYSIS AND INTERPRETATION

### 4.1 CURRENT RATIO:

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2016	5,935.09	4,048.82	1.465
2017	7,453.18	4,093.33	1.820
2018	8,848.18	4,343.32	2.037
2019	8,115.64	4,130.36	1.964
2020	8,280.56	3,976.06	2.084

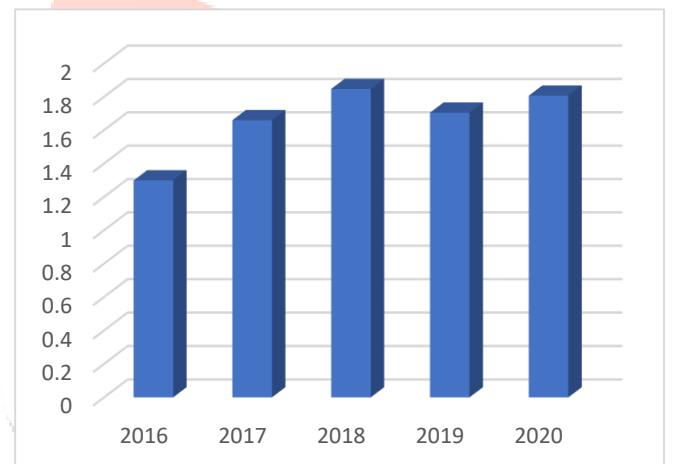


### INTERPRETATION:

The above table shows that the current ratio in the year 2016 was 0.86 and 0.146 and then it Increase to 1.820 in the year 2017, further move downwards to 2.037 in the year 2018. The Current Ratio of all the above three years is above the Standard, So the Society can meet its short term Obligation.

**Table 4.2: Quick Ratio for the period of 2016 – 2020:**

YEAR	QUICK ASSETS	QUICK LIABILITIES	QUICK RATIO
2016	5,262.11	4,048.82	1.299
2017	6,796.87	4,093.33	1.660
2018	8,024.06	4,343.32	1.847
2019	7,043.27	4,130.36	1.705
2020	7,188.59	3,976.06	1.807

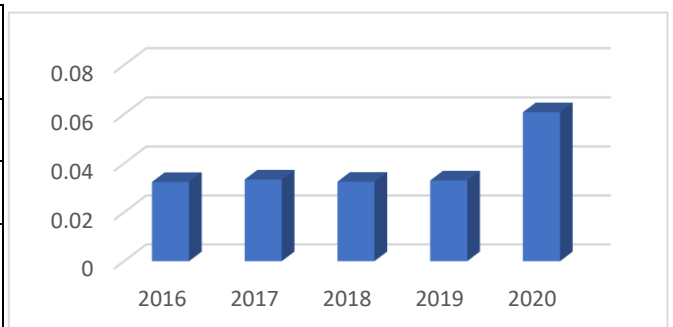


### INTERPRETATION:

The Chart Shows that Liquid Ratio in 2016 is Below 1.5, in 2017- 2020 is Above 1.5. The Quick Ratio of all the Above Five Years is Above the Standard, So the Society can meet its Short term Obligation. The Company is Able to Generate Enough from Operations to Pay for its Current Obligation with Current Assets.

### CASH RATIO:

YEAR	CASH & CASH EQUIVALENTS	CURRENT LIABILITIES	RATIO (Times)
2016	131.36	4,048.82	0.0324
2017	136.73	4,093.33	0.0334
2018	141.34	4,343.32	0.0325
2019	136.46	4,130.36	0.0330
2020	241.86	3,976.06	0.0608



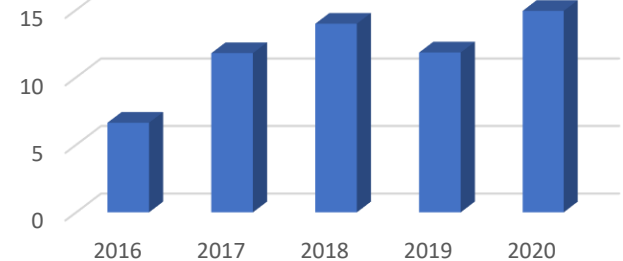
SOURCE: SECONDARY DATA

**INTERPRETATION:**

The above table shows that the cash ratio from 2016 to 2020. The Cash Ratio of all the Above Five Years is Above the Standard. In the year of 2018 and 2019 the cash ratio goes down and the year of 2019, it goes up. In 2020, the company having 0.060% of cash to pay its current liability

**Working Capital Ratio for the period of 2016 – 2020 (Rs. In Cr.)**

YEAR	WORKING CAPITAL	TOTAL SALE	RATIO (Times)
2016	1,886.27	28,442.70	6.63
2017	3,359.85	28,474.99	11.79
2018	4,504.86	32,230.49	13.97
2019	3,985.28	33,650.54	11.84
2020	4,304.50	28,836.09	14.92



SOURCE: SECONDARY DATA

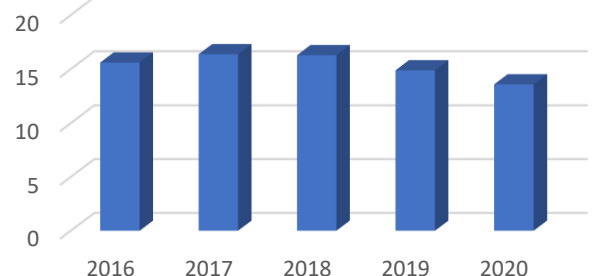
**INTERPRETATION:**

That Chart Shows that Working Capital in 2016 is 6.63. It Further Increases up to 11.79 and In 2020 the Working Capital is 14.92.

The Company Working Capital is Rising Up.

**Gross Profit Ratio for the period of 2016 – 2020 (Rs. In Cr.)**

YEAR	GROSSS PROFIT	SALE	RATIO(%)
2016	4,434.87	28,442.70	15.609
2017	4,658.46	28,474.99	16.381
2018	5,244.16	32,230.49	16.290
2019	5,010.73	33,650.54	14.890
2020	3,896.32	28,836.09	13.588



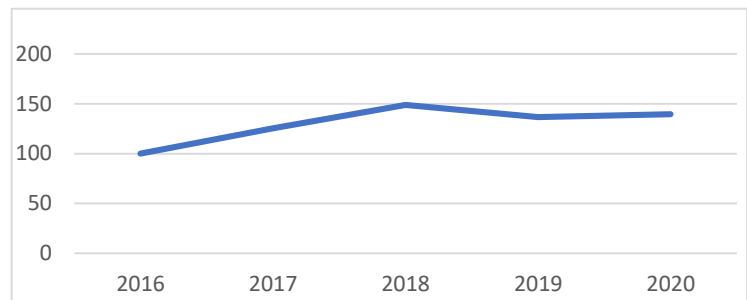
SOURCE: SECONDARY DATA

**INTERPRETATION:**

The ratio indicates the efficiency of production or trading operations. In 2014 the gross profit margin was 15.6%. In 2015 and 2016, the gross profit margin was 16.38% and 0.34 used

**TREND ANALYSIS RATIO:****Trend analysis for current assets for the period 2016-2020 (Rs. In Cr)**

YEAR	CURRENT ASSETS	TREND ANALYSIS
2016	5,935.09	100
2017	7,453.18	125.5
2018	8,848.18	149
2019	8,115.64	137.7
2020	8,280.56	139.5



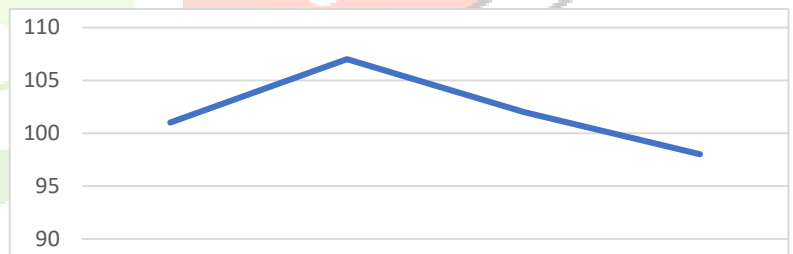
SOURCE: SECONDARY DATA

**INTERPRETATION:**

From the above trend analysis showing, it is inferred as base year 2016. Current asset has been Increasing during the year 2016 and 2017. The current year 2020 trend percentage for current asset is 139.5.

**Trend analysis for current liability for the period 2016-2020 (Rs. In Cr)**

YEAR	CURRENT LIABILITIES	TREND ANALYSIS
2016	4,048.82	100
2017	4,093.33	101
2018	4,343.32	107
2019	4,130.36	102
2020	3,976.06	98



SOURCE: SECONDARY DATA

**INTERPRETATION:**

From the above trend analysis showing, it is inferred as base year 2016. Current Liabilities has been Increasing during the year 2016 and 2017. The current year 2020 trend percentage for current asset is 98.

**COMPARATIVE BALANCE SHEET OF 2016-2017 (Rs. In Cr)**

PARTICULARS	2016	2017	AMT CHANGES (2016-2017)
<b>ASSETS</b>			
Tangible Assets	3,717.85	4,310.73	592.88
Intangible Assets	118.89	84.86	34.03
Capital Work in Progress	288.34	270.72	17.62
<b>FIXED ASSETS</b>	4,442.14	4,860.64	418.5
Non-Current Investments	1,019.36	1,349.00	329.64
Other Non-Current Assets	73.68	983.08	909.4
<b>TOTAL NON-CURRENT ASSETS</b>	6,405.60	7,241.08	835.48
<b>CURRENT ASSETS</b>			
Trade Receivable	1,282.80	1,561.87	279.07
Cash and Cash Equivalents		136.73	
<b>TOTAL CURRENT ASSETS</b>	5,935.09	7,453.18	1518.09
<b>TOTAL ASSETS</b>	14,694.26	16,738.80	2,044.54
<b>LIABILITIES</b>			
Equity Share Capital	39.94	39.94	-
<b>TOTAL SHARE CAPITAL</b>	39.94	39.94	-
Reserves and Surplus	7,904.81	10,071.35	2166.54
<b>TOTAL SHAREHOLDERS FUNDS</b>	7,944.75	10,111.29	2166.54
<b>TOTAL NON-CURRENT LIABILITIES</b>	347.12	489.64	142.52
<b>CURRENT LIABILITIES</b>			
Trade Payables	2,766.88	3,247.27	480.39
Short Term Provisions	798.75	39.01	-759.74
<b>TOTAL CURRENT LIABILITIES</b>	4,048.82	4,093.33	44.51

**FINDINGS:**

- ❖ The current year 2020 current ratio is found to be the highest 2.084 due to the decrease in the liabilities.
- ❖ The Quick Ratio of all the above then Four years is above the Standard Quick Ratio.
- ❖ The current year 2020 cash ratio has increased to 1.20 when compared to the previous year 2019 with 1.17.
- ❖ The Fixed Assets Turnover Ratio of the firm has in 2019 the ratio is 15.335 and it increase in the next year 2020 with 22.390.
- ❖ The Current Assets Turnover Ratio is Increasing during the Period of 2017 and again decrease in the Period of 2019, and Again increase in the Next year 2020 with 22.390.



- ❖ Share Capital has been remained Constant.
- ❖ Gross profit ratio is rising which is good for the company.
- ❖ Net profit ratio is showing rising percentage of profit of Hero MotoCrop Limited which show it is a growing company.
- ❖ It Showed that Inventory Turnover Ratio of company is in 2016 Which rises to in 20 and increases again to
- ❖ The Working Capital Ratio is Increasing during the Period of 2017 and 2018 Again Decreasing in the Period of 2019, and Again Increasing in the Next Year 2020 with 14.92

**SUGGESTION** It is suggested to the company can strongly focus on cost reduction strategy that will make a company more profitability.

- ❖ The company has a bright future if it concentrates more on its working capital short term, investments, thus achieving the overall objectives of the company.
- ❖ Thus it is essential to avoid excessive liquidity but to maintain sufficient liquidity to ensure smooth running of the company operation.
- ❖ The company has better liquidity position and has to maintain same in the future.
- ❖ If Company Cut Down its Unnecessary expenses then they can increase their net Profit Which is a major Impact for Company.
- ❖ Company may look into the measures how to reduce the loans and Loans and Advances in the coming periods.
- ❖ Company may look into maintain the current assets and current liabilities. Current liabilities may reduce coming periods

### CONCLUSION:

- ❖ The Company has been to increase its Sales and Profit during the Year. The Net Profit ratio has increased which proved the company has been able to control the cost Effectively.
- ❖ Financial performance can improve the financial strength of company. The company liquidity position has to increase and it will solve future problem. The company is maintaining the reserves and surplus better so it can face financial stress in the future. To proper maintain of financial performance to achieve the company goal.
- ❖ The Current Assets of the company are enough to meet the Current Liabilities, Hero Moto Crops Limited Holding the Highe4st Share in Two Wheeler's Market.
- ❖ The company has increasing liabilities over years. The company has also raised its investments and reserves for future purpose.
- ❖ This clearly shows that the company is in the developing nature and their position in the society is satisfactory.

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