



Profitability in Honda Motor Company Limited

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ABSTRACT

Honda Motor Company Ltd. is a multinational corporation that manufactures and sells automobiles, motorcycles, and power equipment worldwide. Honda has reported a solid financial performance in recent years, with an operating income of 657.4 billion yen (\$5.9 billion) for the fiscal year ended March 31, 2021, an increase of 28.5% from the previous year. However, Honda has faced some challenges due to the COVID-19 pandemic and global supply chain disruptions. In response, Honda has announced plans to accelerate its electrification efforts and streamline its operations to improve profitability. Overall, Honda has a strong reputation for innovation and quality, and it is well-positioned to adapt to changing market conditions and maintain its profitability over the long term.

INTRODUCTION:

Finance is a system that involves the exchange of funds between the borrowers and the lenders and investors. It operates at various levels from firms to global to national levels. Thus, there are many complexities involved in it related to markets, institutions etc., An introduction to finance will provide a basic idea of how the finance sector in general works in India.

Objectives of the study:

- To Study the various factors affecting profitability

Scope of the study:

- The study aims at analysing the profitability.

Review of Literature:

Raheman (2022), "Recent literature analyses the profitability of companies from various countries and economy sectors through indicators like net operating profitability (NOP)".

Research Methodology:

It is an empirical study. So, research has followed scientific approach to design the research Methodology for investigation. For this study research is using secondary data as a source of information for thus research.

Secondary data: Annual Reports, journals and other publication.

TOOLS USED FOR ANALYSIS

The follow final and statement tool are used in the study

- Ratio analysis
- Trend analysis

PROFITABILITY RATIO:

A financial ratio or accounting ratio is a relative magnitude of two selected numerical values taken from an enterprise's financial statements. Often used in accounting, there are many standard ratios used to try to evaluate the overall financial condition of a corporation or other organization.

YEARS	CURRENT ASSETS	PERCENTAGE
2018	6925288	100%
2019	7347294	106.09%
2020	7301010	105.425%
2021	7579091	109.441%
2022	8841425	127.66%

GROSS PROFIT RATIO:

Gross profit is the profit a company makes after deducting the costs associated with making and selling its products, or the costs associated with providing its services.

$$\text{GROSS PROFIT RATIO} = \frac{\text{GROSS PROFIT}}{\text{SALES}} * 100$$

TABLE: GROSS PROFIT RATIO OF HONDA MOTOR COMPANY LTD

NO OF YEARS	GROSS PROFIT	SALES	RATIO
2018	3206643	15361146	20.88
2019	3159568	15888617	19.89
2020	2942842	14931009	19.71
2021	2586035	13170519	19.64
2022	2855389	14552696	19.62

INTERPRETATION:

From the above table shows the gross profit ratio of HONDA MOTORS COMPANY LTD for the five years, 2018-2022. the year 2018 the ratio which is 20.88% which have decreased to 1.26% and finally reached 19.62% in the year of 2022. The gross profit ratio is reduced while comparing to the previous year.

CHART: GROSS PROFIT RATIO OF HONDA MOTOR COMPANY LTD



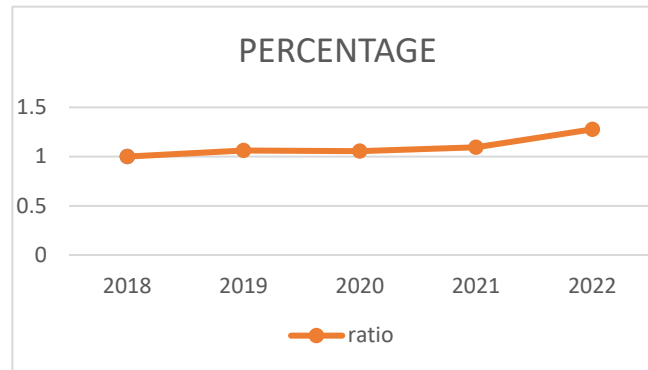
TREND OF CURRENT ASSETS OF HONDA MOTOR COMPANY LTD

widespread practice of collecting information and attempting to spot a pattern. In some fields of study, the term "trend analysis" has more formally defined meaning. Although trend analysis is often used to predict future events, it could be used to estimate uncertain events in the past such as how many ancient kings probably ruled between two dates, based on data such as the average years which other known kings reigned.

TABLE: TREND OF CURRENT ASSETS OF HONDA MOTOR COMPANY LTD

INTERPRETATION:

The above table indicates that the current assets the company of the year 2018-2022. From the above table the current assets of the company have been increased and also the overall performance of the company is good.

TREND OF CURRENT ASSETS OF HONDA MOTOR COMPANY LTD**FINDINGS****Ratio analysis**

The gross profit of HONDA MOTOR COMPANY LTD is satisfactory.

Trend analysis

Current assets shown an increase

in the year 2022.

SUGGESTIONS:

For better profitable and liquidity of the company should use long term funds for financing fixed asset and also put on current asset.

CONCLUSION:

An attempt has been made in the present study to investigate the profitability in HONDA MOTOR COMPANY LTD during the year 2018-2022. The profitability of the company includes ratio analysis on selected terms such as gross profit, current liabilities, current asset, net profit, operating income etc, and comparative balance sheet statement for the year 2018-2022. The study reveals that the financial performance of the HONDA MOTOR COMPANY LTD is fairly satisfactory during the study period. Similarly, the analysis of profitability of the company shows that their performance during the study period is satisfactory. Over all, HONDA has a solid reputation in the automotive industry, a diverse product portfolio, and a strong global presence. However, like any company, HONDA faces various challenges and uncertainties.