



Financial Analysis of Hero Moto Corp Ltd

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ABSTRACT

Finance is regarded as the life-blood of every business enterprise. No business, either big, medium or small can be started without adequate amount of finance. Financial analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial analysis. This study is based on the "Financial analysis of HERO MOTO CORP LTD".

INTRODUCTION TO STUDY

Every business concern wants to know the various financial aspects for effective decision making. The term 'financial analysis' is also known as analysis and interpretation of financial statements. Financial analysis is the process of identifying the financial strengths and weaknesses of the firm, by properly establishing the relationships between the items contains in balance sheet and profit and loss account.

STATEMENT OF THE PROBLEM

The goal of such analysis is to determine the efficiency of operation of firm. The financial statement only shows the process and activity done but financial analysis shows dept efficiency of functions. Hence this study conducted analysis to know efficiency of TVS Motors and to identify their growth of firm and to know how financial performance play a vital role in growth of the firm.

OBJECTIVES OF STUDY

To analyze the financial performance of the company.

To analysis Liquidity and Profitability position of business

SCOPE OF STUDY

This study covers the ratio analysis and comparative balance sheet of the HERO MOTOCORP LIMITED.

Compare current year performance with historical conditions using Ratio Analysis

The finding and suggestion throw light on the guidelines for the effective functioning of the company.

REVIEW OF LITERATURE

VirupaxiBagodi, BiswajitMahanty, (2008) has mentioned that it is an era of customer delight for the two wheeler industry and the conventional measures implemented by the service organizations tend to be inadequate to attract customers persistently

Mona J Fitzsimmons (2010) has concluded that the profitability of automobile manufacturers depends on exploiting value added services for instance automobile manufacturers have discovered that financing and after sales service can achieve significant profits.

Raj,(2012) has reported that Hero Moto Corp Ltd is a focusing on technology revamp by having tie ups with US based EBR racing and with Austria based engine maker AVL these moves are with an ultimate aim to extend arm in R&D as the company has decided not to run the existing brands on Honda engines.

Dr Pratibha Jain & Prof. Megha Mehta (2013) In their study on financial performance of automobile companies finds that Hero Honda company performed well because of its usage of latest technology.

RESEARCH METHADODOLOGY

DATA COLLECTION

SECONDARY DATA

Secondary data refers to Second-hand information". These are not originally collected rather obtained from already published or unpublished sources.

Secondary Data means data collected by someone else earlier i.e surveys, experiments, questionnaire, personal interview etc.

PERIOD OF STUDY

The study covers an analysis of the overall performance of the company with the help of Financial Ratios for 5 years 2018 – 2022.

TOOLS USED FOR THE STUDY

Comparative Balance Sheet

Ratio Analysis

LIMITATION OF THE STUDY

The financial analyst has also to be careful about the impact of price level changes, window-dressing of financial statements, changes in accounting policies of a firm, accounting concepts and conventions, and personal judgment, etc.

Thus accounting concepts and conventions cause a serious limitation to financial analysis.

DATA ANALYSIS AND INTERPRETATION

COMPARATIVE BALANCE SHEET

for the year 2021 - 2022

INTERPRETATION

The table displays the equity and liabilities as well as the assets of the company for the years 2021 and 2022, with the changes in both absolute terms and percentage terms

The long-term liabilities of the company increased, with Other long-term liability increasing by 7.79% and Long-term Provision increasing by 3.25%.

Tangible assets decreased by 3.33%, Inventories decreased by 23.60%

PARTICULARS	2021	2022	INCREASE OR DECREASE RS	OR IN	INCREASE OR DECREASE IN %
Equities and Liabilities					
Equity share capital	39.96	39.96	-		-
Reserves and Surplus	15139.43	15718.51	+579.08		+3.82
Employee Stock Option	19.04	24.45	+5.41		+28.41
Deffered Tax Liability	404.09	388.29	-15.8		-3.91
Longterm Liability	275.85	297.36	+21.51		+7.79
Long term Provision	172.46	178.07	+5.61		+3.25
Trade Payables	5204.61	4260.34	-944.27		-18.14
Current Liabilities	745.24	651.62	-93.62		-12.56
Short Term Provisions	160.37	160.42	+0.05		+0.03

Total Liabilities	22161.05	21714.02	-447.03	-2.01
ASSETS				
Tangible Assets	5698.15	5507.98	-190.17	-3.33
NonTangible Assets	290.26	298.50	+8.24	+2.83
Capital Work in progress	177.86	87.32	-90.54	-50.9
Under development	258.73	370.88	+112.15	+43.34
Non Current Investment	4308.18	4814.66	+506.48	+11.75
Long Term Loans and advances	52.33	59.03	+6.8	+13.01
Other Non Current Assets	422.85	460.69	+37.87	+8.94
Current Investments	6191.49	5837.66	-353.83	-5.71
Inventories	1469.55	1122.65	-346.9	-23.60
Trade receivables	2426.76	2304.27	-122.49	-5.04
Cash and Cash equivalents	257.15	175.12	-82.03	-31.89
Short term Loans and Advances	36.94	22.81	-14.13	-38.25
Other Current Assets	570.90	652.45	+81.55	+14.28
Total Assets	22161.05	21714.02	-447.03	-2.01

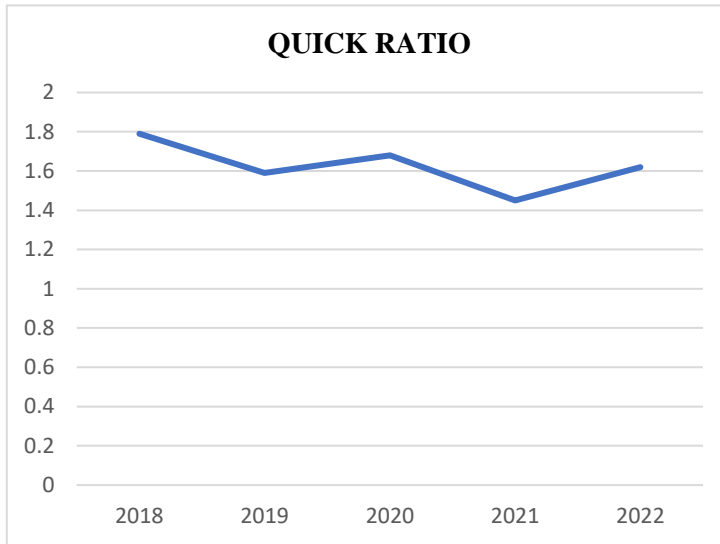
RATIO ANALYSIS:**QUICK RATIO**

Quick Ratio = Quick Asset / Quick liability

YEAR	QUICK ASSET	QUICK LIABILITY	QUICK RATIO
2018	8024.6	4481.36	1.79:1
2019	7043.27	4409.18	1.59:1
2020	7196.59	4279.06	1.68:1
2021	9483.24	6504.53	1.45:1
2022	8992.31	5517.63	1.62:1

INTERPRETATION OF QUICK RATIO:

The trend in the company's quick ratio over the years suggests that its financial position has been somewhat volatile. While the company has had sufficient quick assets to pay off its quick liabilities in some years, it has also faced challenges in others. This highlights the importance of closely monitoring a company's quick ratio and financial position to ensure its short-term financial health.



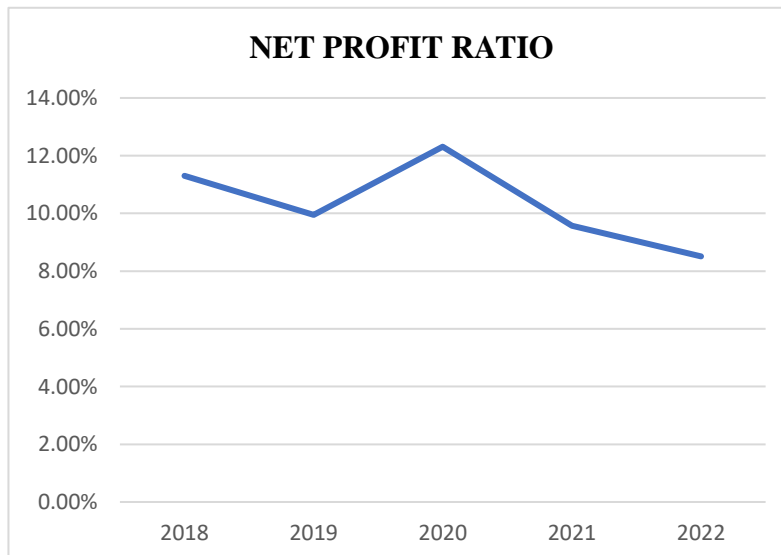
NET PROFIT RATIO

Net Profit Ratio = Net Profit / Sales X 100

YEAR	NET PROFIT	SALES	NET PROFIT RATIO
2018	3,670.74	32,458.37	11.30%
2019	3,383.33	33,970.82	9.95%
2020	3,603.48	29,253.97	12.31%
2021	2,964.31	30,959.19	9.57%
2022	2,515.93	29,551.28	8.51%

INTERPRETATION OF NET PROFIT RATIO:

The table provides an overview of the financial performance of the company over the years, highlighting the variations in net profit and sales figures and the resulting impact on the net profit ratio. The company has been able to maintain a positive net profit in all the years but has experienced fluctuations in net profit ratios due to changes in sales and expenses.



FINDINGS, SUGGESTION AND CONCLUSION:***FINDINGS:***

In 2022, the company's tangible assets decreased by Rs. 190.17 or 3.33% compared to 2021. The non-tangible assets increased by Rs. 8.24 or 2.83% compared to 2021. The capital work in progress decreased by Rs. 90.54 or 50.9% compared to 2021.

The company has a stable financial position with strong current and quick ratios, indicating that it has enough current and liquid assets to cover its short-term obligations. The proprietary ratio also shows that the company has a strong financial position relative to its tangible assets. However, it is important to consider other financial ratios and metrics to get a complete picture of the company's financial health.

The tables suggest that the company's profitability has been somewhat unstable over the years, with fluctuations in gross profit, net profit, and operating profit ratios. The decline in profitability in 2022 may warrant further investigation to identify the cause and potential solutions.

The company appears to have used its fixed assets and total assets relatively efficiently over the five-year period, although there was some fluctuation in the ratios. The company also appears to have improved its inventory turnover ratio over the period, indicating that it was able to sell its inventory more quickly.

SUGGESTIONS:

Hero Moto Corp should continue to innovate and develop new products to meet changing customer needs and preferences. This could involve investing in research and development, collaborating with technology companies, and exploring new markets and customer segments.

Hero Motocorp should look for ways to expand its distribution channels and reach new customers. This could involve partnering with dealerships, online platforms, and other businesses that can help to expand the company's reach and brand awareness.

As concerns about the environment and sustainability grow, automotive companies like Hero Motocorp must prioritize sustainability and reduce their environmental impact. This could involve investing in clean energy, reducing waste and emissions, and promoting sustainable practices throughout the company's operations.

CONCLUSION:

In terms of asset management, the company has maintained a relatively high fixed asset turnover ratio, which suggests efficient utilization of its fixed assets. However, there has been a decline in this ratio over the years, indicating a need for the company to focus on optimizing the use of its fixed assets to maintain profitability.

Hero Motocorp appears to be a stable and profitable company, but there is room for improvement in terms of asset management and inventory control to maintain long-term profitability.

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Official website: <https://www.heromotocorp.com/>

Hero MotoCorp Newsroom: <https://www.heromotocorp.com/en-in/newsroom.html>

Hero MotoCorp Sustainability: <https://www.heromotocorp.com/en-in/about-us/sustainability.html>

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