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A Study on Financial Analysis of TVS Motors

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ABSTRACT:

This study examines TVS Motor Company Limited's financial performance from 2019 to 2024, utilizing ratio analysis to assess profitability, liquidity, and solvency. Based on secondary data from annual reports, the research examines important financial patterns and compares them to industry benchmarks to determine the company's stability and growth. The findings illustrate the strengths and limitations of TVS Motors' financial management, providing stakeholders with practical insights. While the report makes useful recommendations, its dependence on historical data and five-year timeframe may restrict prediction accuracy. Overall, the research helps to evaluate the company's financial health and recommends measures for long-term success in the competitive vehicle industry.

INTRODUCTION

Finance is believed as the lifeblood of any company enterprise. No firm, large or little, can be launched without an acceptable amount of capital. Finance may be described as the provision of money when it is needed. Finance refers to the management of money movements inside an organization. It is concerned with the application of talents for manipulating, using, and controlling money. Financial performance analysis is the process of evaluating a company's financial strengths and weaknesses by correctly defining the relationship between the balance sheet and profit and loss account. Financial performance analysis can also aid with short-term and long-term forecasting, as well as identifying growth opportunities.

TVS Motor Company is one of India's leading two- and three-wheeler manufacturers, with a significant global presence in over 60 countries. Since its inception in 1978, TVS Motors has evolved to be a respected name in the automobile industry, known for its quality, innovation, and customer satisfaction.

OBJECTIVES OF THE STUDY

- To examine the firm's long-term financial position.
- To analyze TVS Motors’ profitability, liquidity and solvency using ratio analysis over the past five years.

SCOPE OF THE STUDY

This entails assessing the company's financial health over the previous five years using important financial documents and ratios. It comprises trend research, comparisons to industry peers, and consideration of external issues. The study attempts to provide insights into the company's financial strengths and shortcomings, as well as recommendations for future financial plans.

LIMITATION OF THE STUDY

- Financial analysis based on past data might not accurately predict future trends due to market fluctuations.
- The majority of research use publicly accessible annual reports, which might not include all the relevant financial information or might be manipulated by the business.

REVIEW OF LITERATURE

1. **Patel and Desai’s (2022)** The study looks at TVS Motor Company's liquidity and profitability patterns following the epidemic. The study focuses on the company's difficulties, such as lower liquidity ratios and transitory losses in profitability caused by supply chain delays and decreased demand. However, the study highlights TVS Motors' resurgence through smart cost management, inventory efficiency, and digital transformation. The findings highlight the company's resilience and agility in dealing with post-pandemic issues, providing insights on preserving financial stability amid crises.
2. **Ajmera’s (2023)** The study looks at the relationship between profitability and liquidity in the auto two- and three-wheeler industries. The research emphasizes the importance of striking a balance between profitability and liquidity in order to fulfill organizational goals. The report underlines

that effective liquidity management allows businesses to meet short-term obligations while profitability maintains long-term viability. The report analyzes listed companies in the industry to provide insights into how organizations like TVS Motors can optimize financial performance through effective liquidity and profitability management, both of which are crucial for growth and competitiveness in the automotive sector.

PROFILE OF THE STUDY:

TVS Motor Company is a well-known two- and three-wheeler manufacturer with four cutting-edge manufacturing sites in India's Hosur, Mysuru, and Nalagarh, as well as Karawang, Indonesia. We take pride in producing worldwide aspirational products of the highest quality using innovative and sustainable processes, building on our 100-year tradition of Trust, Value, and Service. We are the only two-wheeler company to have been awarded the coveted Deming Prize.

HISTORY:

The company was founded by T.V. Sundaram Iyengar. He began with the bus service in Delhi. In 1911, he created Sundaram Iyengar and Sons Limited. That company was the first to start bus services in Delhi. They dominated the bus service at the time, thanks to their massive fleet. After Mr. Sundaram died, his sons took over the company. Sundaram Clayton was created in 1962 in conjunction with Clayton Dewandre Holdings from the United Kingdom. It made brakes, exhausts, compressors, and other vehicle components. The firm established a plant in Hosur in 1976 to produce mopeds as part of their new division. In 1980, the TVS 50, India's first two-seater moped, rolled out of the plant in Hosur, Tamil Nadu. In 1987, Sundaram Clayton Ltd and Suzuki Motor Corporation formed a joint venture following a technological collaboration with the Japanese auto giant Suzuki Ltd. Commercial motorcycle production began in 1989.

ANALYSIS AND INTERPRETATION

1.1 CURRENT RATIO

The current ratio is a popular technique for evaluating a company's short-term solvency. Short-term solvency refers to a company's capacity to meet its short-term commitments when they fall due. Short-term obligations are liabilities that must be paid off within a year or less. The current ratio is calculated by dividing the total current assets by the total current liabilities of the business.

$$\text{CURRENT RATIO} = \frac{\text{Current Asset}}{\text{Current Liability}}$$

TABLE 1.1

CURRENT RATIO

YEAR	Current Asset	Current Liability	Current Ratio
2020	3,221.59	4,494.16	0.72
2021	3,446.79	4,585.41	0.75
2022	3362.28	5186.50	0.65
2023	3667.50	6008.54	0.61
2024	4217.82	6606.80	0.64

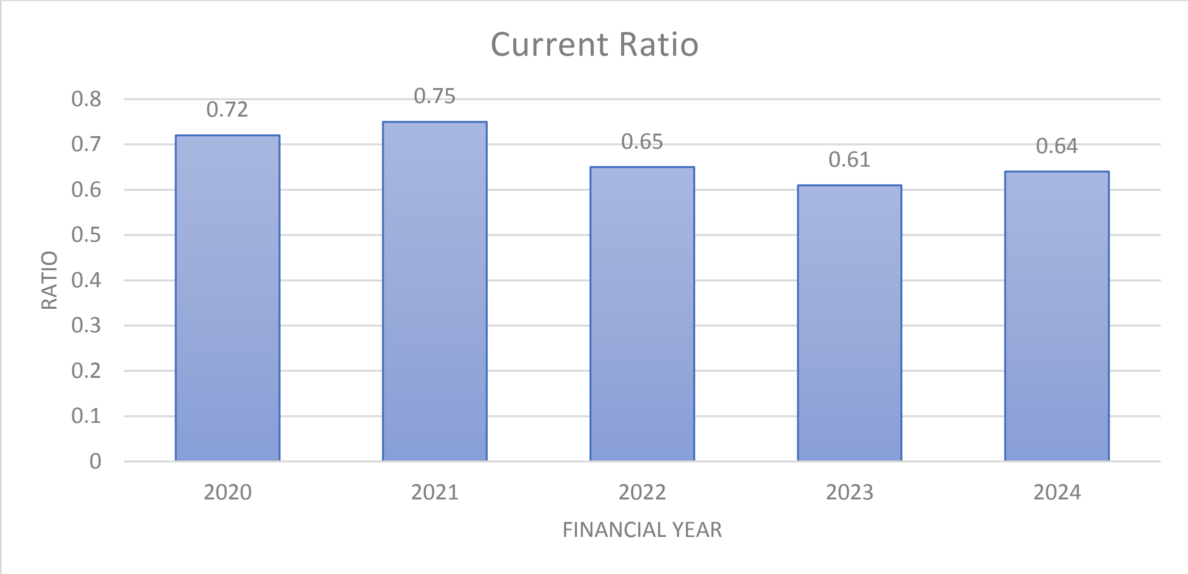
Source: Secondary data

INTERPRETATION:

From 2020 to 2024, the company's current ratio remained persistently below one, suggesting that current assets were insufficient to meet short-term liabilities. The ratio improved significantly from 0.72 in 2020 to 0.75 in 2021 before falling to 0.61 by 2023, with a tiny recovery to 0.64 in 2024. This graph shows rising current obligations surpassing current asset growth, indicating future liquidity issues. To boost its financial position, the corporation may need to increase working capital by adding assets or reducing liabilities.

CHART 1.1

CURRENT RATIO



1.2 OPERATING PROFIT RATIO

The Operating Profit Ratio is a financial measure that compares a company's profitability from its main business activities to its sales. It is computed by dividing the operational profit (revenue from operations minus operating expenses) by revenue from operations and multiplying by 100 to get the percentage. This ratio measures how successfully a company manages its operating expenses and turns income into profit from its key activities. A higher ratio indicates greater operational efficiency and profitability, whereas a lower ratio may imply inefficiencies or increased operating costs. It is an important measure of a company's ability to continue and expand its core business operations.

$$\text{OPERATING PROFIT RATIO} = \frac{\text{Operating Profit}}{\text{Revenue from Operation}}$$

Operating Profit = Revenue from Operations – Operating Expenses

TABLE 4.2.6

TABLE SHOWING OPERATING PROFIT RATIO

YEAR	Operating Profit	Revenue from Operation	Operating Profit Ratio
2020	856.83	16423.34	5.22%
2021	934.87	16750.54	5.58%
2022	1350.30	20790.51	6.49%
2023	2043.46	26378.09	7.75%
2024	2813.76	31776.37	8.85%

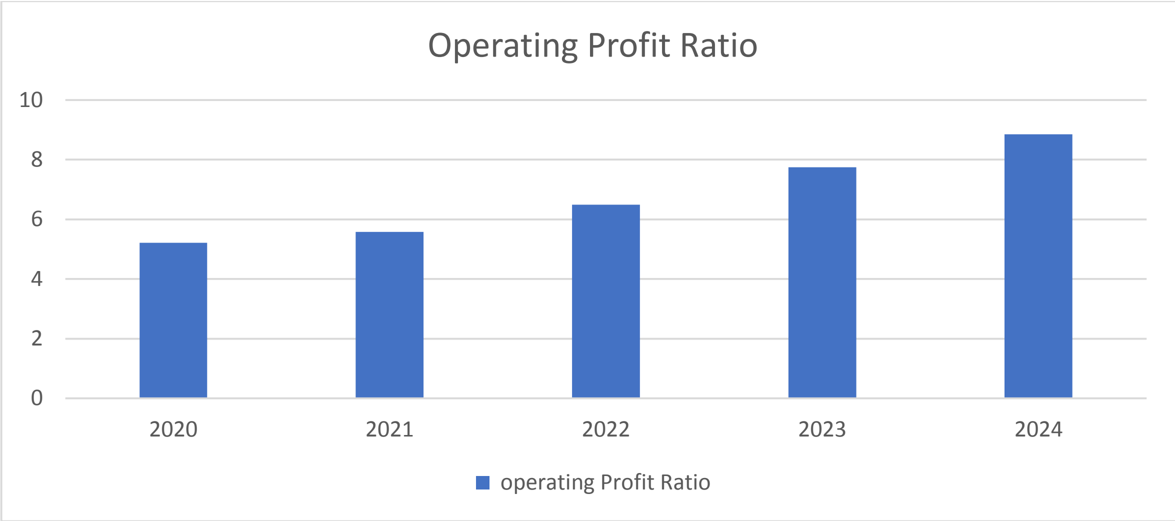
Source: Secondary Data

INTERPRETATION

The company's Operating Profit Ratio has steadily climbed from 5.22% in 2020 to 8.85% in 2024, indicating greater operational efficiency and cost control. This growing trend, driven by improved control over operating expenses and increased revenue from operations, demonstrates the company's capacity to create bigger profits from its main business activities. By 2024, the company produced □8.85 in operational profit for every □100 in revenue, indicating a focus on streamlining operations and increasing profitability. This is a favorable indicator for stakeholders and investors.

Chart 1.2

Chat 1.2 showing Operating profit ratio



SUGGESTIONS

- There aren't enough current assets to satisfy short-term commitments, as the current ratio has continuously been below 1. In order to increase liquidity and successfully fulfill short-term obligations, TVS Motors should concentrate on either boosting current assets or decreasing current liabilities.
- The substantial decrease in cash and cash equivalents in 2022 and 2023, followed by a recovery in 2024, suggests uneven cash flow management. To provide adequate liquidity, the organization should put in place sophisticated cash flow forecasting and monitoring tools.
- The steady improvement in the operational profit ratio (from 5.22% in 2020 to 8.85% in 2024) suggests improved cost management. To increase profits, the corporation should continue to streamline processes and cut operational expenses.

CONCLUSION

TVS Motors' financial study from 2020 to 2024 shows that the company is profitable and has improved solvency, but it still faces ongoing liquidity issues. By increasing receivables collection, optimizing inventory levels, and negotiating better terms of payment with suppliers, TVS Motors should concentrate on enhancing cash flow management. Liquidity can be further strengthened by improving operational efficiency and refinancing short-term debt into long-term debt. By putting these tactics into practice, TVS Motors will be able to get over its cash flow problems, lessen its dependency on outside funding, and maintain long-term financial stability, setting itself up for future expansion and stability in the cutthroat auto sector.

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