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# A Study on Application of Ratio Analysis in TVS Mobility Private Limited

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### ABSTRACT

The company referred to as TVS Mobility Private Limited provides a wide range of services that are associated with automobiles, construction machinery, and material handling equipment. Additionally, they provide support after the sale as well as financial services. This investigation is carried out with the purpose of analysing the financial status, liquidity, and profitability of the company. In order to comprehend the business, financial health, and reporting methods that these organisations adhere to, the primary purpose of this research was to apply the ideas that were learnt as a part of this course. The company's financial statements offer a glimpse into the company's operations as well as its current financial status.

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**Keywords :** Investigation, Material handling , After sales report, Liquidity, financial position.

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### INTRODUCTION:

A corporation, sub-enterprise, or project's viability, stability, and profitability are evaluated by ratio analysis, also known as accounting analysis. Professionals who create reports utilising ratios and data from profitability statements and other reports carry it out. Top management typically receives these reports as one of the foundations for their decision-making.

Management may decide to:

- Continue or stop its primary business operations or a portion of them based on these reports;
- Produce or buy specific materials for its product;
- Acquire or rent/lease specific machinery and equipment for its items production;
- Issue stocks or work out a bank loan to boost operating capital;
- Make choices about capital lending or investment;

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### ORGANIZATIONAL PROFILE :

On February 26, 2018, TVS Mobility Private Limited was established as a private company. It is registered with the Chennai Registrar of Companies and is categorised as a non-government corporation. It has Rs. 25,077,454 in paid-up capital and Rs. 40,000,000 in authorised share capital. It deals with the sale, upkeep, and repair of motorbikes as well as associated components and accessories. The firm that T V Sundaram Iyengar founded in 1911 gave rise to the enterprises that are now part of TVS Mobility. The fourth-generation family members, who are descended from T V Sundaram Iyengar, are in charge of running the businesses under the TVS Mobility group.

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### REVIEW OF LITERATURE :

Many researchers have studied financial ratios as a part of working capital Management; however, very few of them have discussed the working capital Policies in specific.

**According to Barne, (2015)** States that Financial ratio are widely used to develop insights into the financial performance of companies' by both the evaluators' and researchers'. The firm involves many interested parties, like the owners, management, personnel, customers, suppliers, competitors, regulatory agencies, and academics, each having their views in applying financial statement analysis in their evaluations. Evaluators 'use financial ratios, for instance, to forecast the future success of companies, while the researchers' main interest has been to develop models exploiting these ratios many distinct areas of research involving financial ratios can be differentiated.

**Mingyi Hung (2016)** in his paper on "Accounting Standards and Value Relevance of Financial Statements: An International Analysis" concluded that the use of accrual accounting (versus cash accounting) negatively affects the value relevance of financial statements in countries with weak shareholder protection. This negative effect, however, does not exist in countries with strong shareholder protection.

**Blakey (2017)** Knowledge can be accomplished through literary examination with substance modes. Subsequently, it as of now gives a wide scope of artistic holes, which definitely think about free enterprise strategies and fundamentally analyse writing. This exploration takes on a nitty gritty technique on learning hypothesis to address inquire about inquiries.

**Dr. N. Sakthivel, A. Saravanakumar (2018)**-Investors satisfaction on online share trading and technical problem faced by the investors. Investors satisfaction on online share trading based on brokerage houses were analyzed using percentage analysis. Primary data were collected from 620 respondents through questionnaire.

**Renu Rajaram (2020)** in India, paints have traditionally been sold in hardware stores. Most paint brands have followed the retail route of multi-brand stores. However, with the growth of the Indian paint industry, and the recognition of individual brands, prominent players have recognized the need for exclusive outlets/showrooms.

## OBJECTIVES OF THE STUDY :

Studying ratio analysis at TVS Mobility Private Limited is the main goal.

### SECONDARY GOAL:

- To research the company's short-term liquidity positions.
- To research inventory management's effectiveness.
- To research how well the business manages its credit.
- To assess the business concern's long-term solvency.
- To research the company's optimal working capital utilization.

## DATA ANALYSIS AND INTERPRETATION:

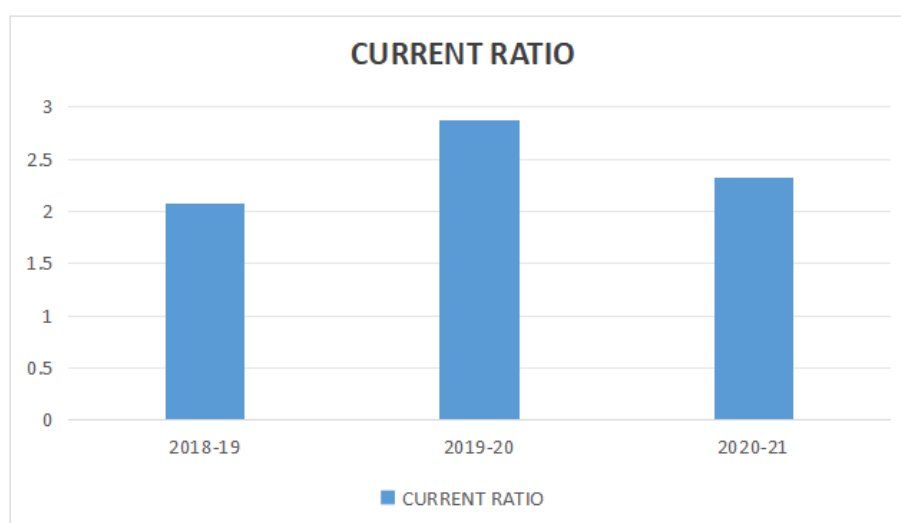
### Current ratio

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Current assets

YEAR	CURRENT ASSET	CURRENT LIABILITY	CURRENT RATIO
2018-2019	417482.85	201225.98	2.07
2019-2020	416262.62	144711.92	2.87
2020-2021	485237.85	208955.45	2.32

Chart: Current Ratio



**INTERPRETATION:**

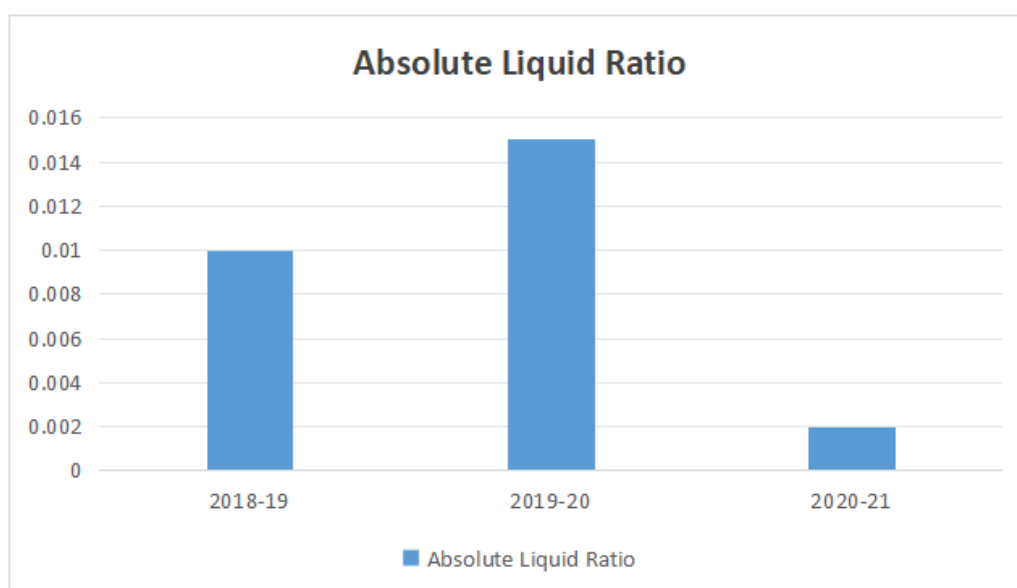
The trend shows as **decreasing trend** in the coming year to be expected.

**ABSOLUTE LIQUID RATIO**

**Cash position ratio= cash and company balances + marketable securities/ current liabilities.**

YEAR	CASH AND CASH EQUIVALENT	CURRENT LIABILITY	ABSOLUTE LIQUID RATIO
2018-2019	2133.52	201225.98	0.010
2019-2020	2236.96	144711.92	0.015
2020-2021	447.68	208955.45	0.002

**Chart: Absolute Liquid Ratio**

**INTERPRETATION:**

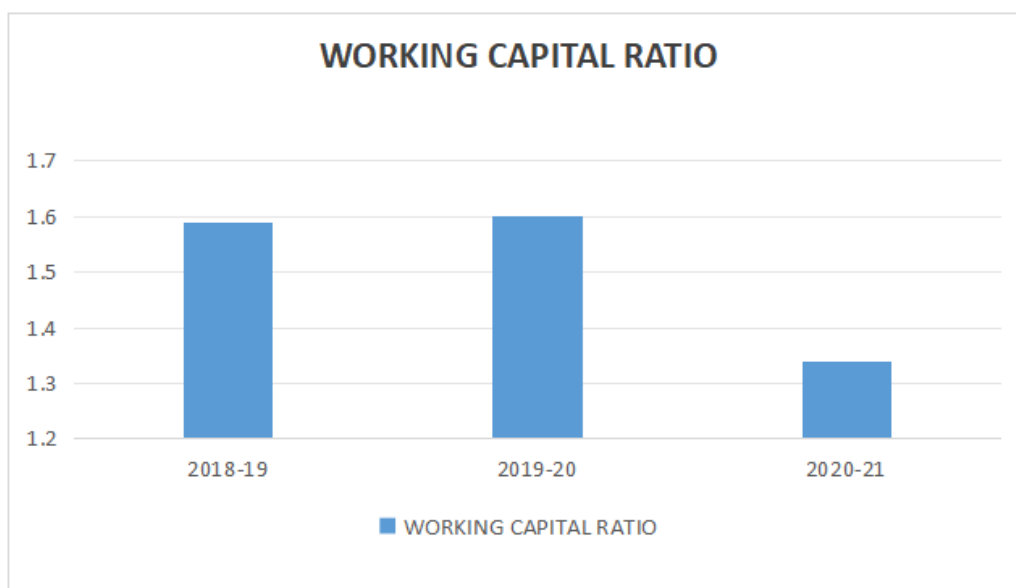
The absolute liquid ratio have been plotted into a chart and trendline has been given. The trend shown as **decreasing trend** in the coming years to be expected.

**WORKING CAPITAL RATIO**

**Working capital ratio = Net sales / Working Capital**

YEAR	WORKING CAPITAL	SALES	RATIO
2018-2019	2187.24	3481.06	1.59
2019-2020	2224.45	3557.21	1.60
2020-2021	2257.15	3028.82	1.34

**Chart: Working Capital Ratio**

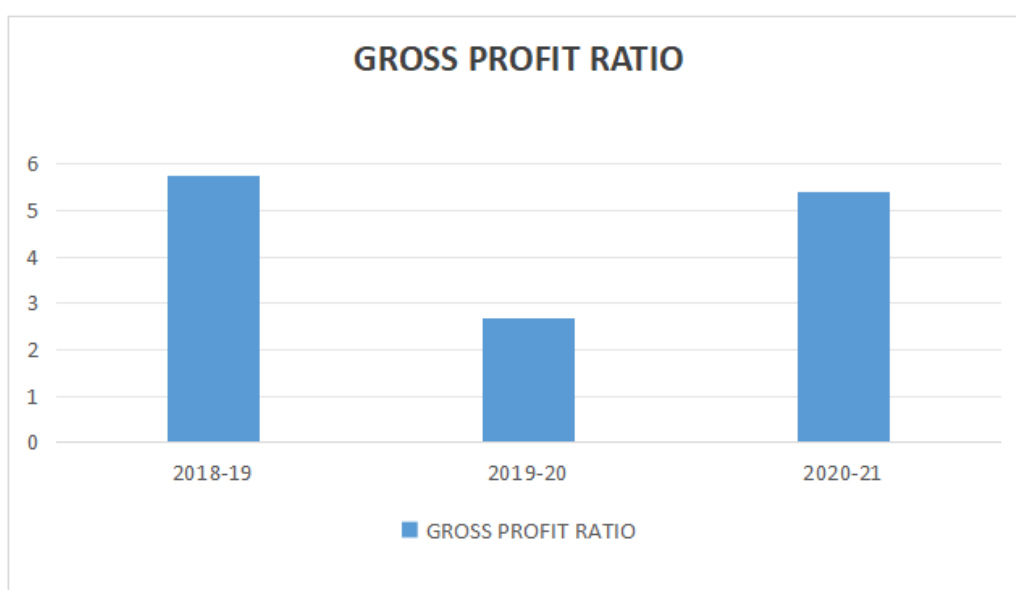
**INTERPRETATION:**

The working capital ratios have been plotted into a chart and trend line has been given. The trend shows a **decreasing trend** in the coming years to be expected.

**Gross Profit Ratio**

$$\text{Gross Profit} = \text{Net Sales} - \text{Cost of Goods Sold}$$

YEAR	GROSS PROFIT	SALES	RATIO
2018-2019	200.54	3481.06	5.76
2019-2020	95.53	3557.21	2.68
2020-2021	163.50	3028.82	5.40

**Chart:Gross Profit Ratio**

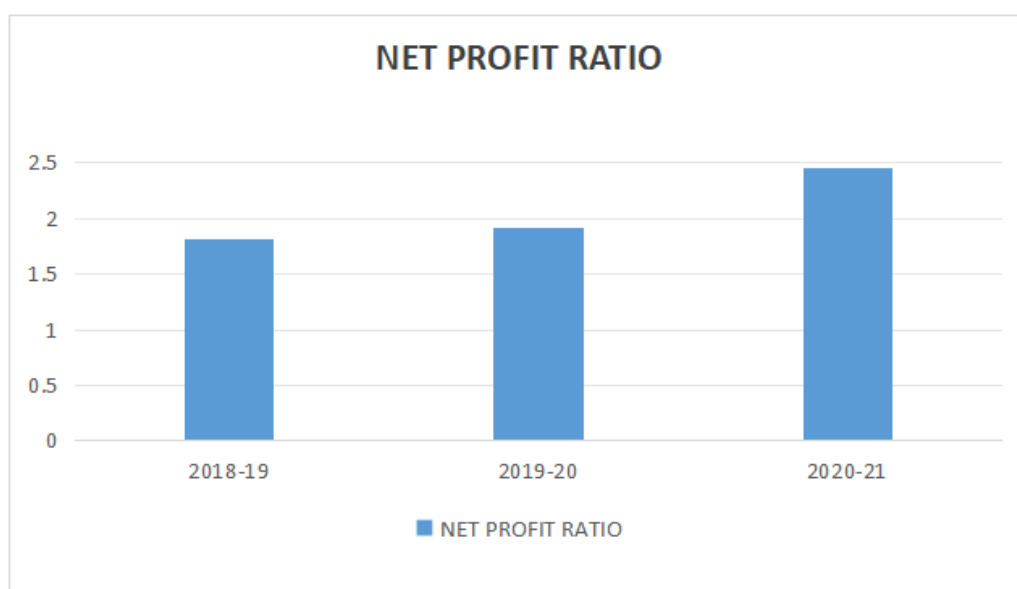
**INTERPRETATION:**

The gross profit ratios have been plotted into a chart and trend line has been given. The trend shows as **increasing trend** in the coming years to be expected.

**NET Profit Ratio**

$$\text{Net Profit margin} = \text{Net Profit} / \text{Total revenue} \times 100$$

YEAR	NET PROFIT	SALES	RATIO
2018-2019	63.46	3481.06	1.82
2019-2020	68.15	3557.21	1.91
2020-2021	74.65	3028.82	2.46

**Chart:Net Profit Ratio****INTERPRETATION:**

The net profit ratios have been plotted into a chart and trend line has been given. The trend shows an **increasing trend** in the coming years to be expected.

**CONCLUSION :**

Based on the company's fundamental research, TVS MOBILITY PRIVATE LIMITED, Chennai, shows promising development prospects overall. There have been steady increases in total operating revenues, revenue from operations, and other income, suggesting that the corporation can turn a profit from both sales and operations. However, there are several concerning aspects, such as the low cash ratio. Additionally, the business has raised the cash, non-current assets, reserves, and surplus of its shareholders and has been paying dividends to its equity owners consistently. The overall trend appears to be positive, despite some financial ratios, such as the quick and current ratios, return on equity, and return on capital employed, fluctuating. Investors, however, ought to monitor the company's financial performance.

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