



A STUDY ON FINANCIAL PERFORMANCE OF ASHOK LEYLAND LIMITED

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-----ABSTRACT-----

Financial performance is regarded as the life blood of a business enterprise. In the modern economy, finance is one of the basic foundations for all kind of economic activities. Financial performance of the company is prepared primarily for decision-making. They play a vital role in setting a framework and managerial conclusions, that can be drawn from the Financial Statements. The project is entitled as 'A Study on Financial Performance of Ashok Leyland Limited' and it shows overall financial performance of the company. The Financial statements of ASHOK LEYLAND LIMITED has been collected from the period of five years from 2015-2016 to 2019-2020. It shows the Ratio analysis is used to know the financial performance of the company. And its result shows that the financial performance of ASHOK LEYLAND LIMITED has been improved within the duration of five years.

KEYWORDS: *Financial performance analysis, Ratio analysis of Ashok Leyland limited.*

1. INTRODUCTION

The Financial performance became a serious force within the financial and economic environment everywhere the planet. Financial statements are prepared primarily to decision-making. The financial term is additionally used as a general measure of a financial health during a period of your time. Its purpose is to convey an impressive financial aspect of business. The financial analysis is that the process of the firms, properly by establishing its relationship between Profit & Loss account and record.

2. STATEMENT OF PROBLEM

To determine the financial problem, the financial performance and analysis is to earn sufficient profitability and to manage the proper functioning of the Ashok Leyland limited. Every effort has been made to conclude relevantly and to suggest for the simplest performance of the Ashok Leyland limited.

3. OBJECTIVES OF THE STUDY

- To analyze the liquidity and profitability position of the Ashok Leyland limited.
- To view the growth of company during the study period.
- To analyze the financial changes over the period of five years using financial statement of the company and by using the financial tools.

4. RESEARCH METHODOLOGY

Research methodology may be a method to unravel the research problem systematically. It involves gathering the information, use of statistical techniques, interpretation and drawing conclusions about the research data.

5. TOOLS AND TECHNIQUES

The tools used for this study on financial performance are ratio analysis and customary size record. The information from the reports are analysed by using various tools and techniques with a view to gauge the



performance of the corporate. For analysing the financial performance of Ashok Leyland limited the subsequent tools are used,

RATIO ANALYSIS

- Liquidity Ratios
- Profitability Ratios
- Solvency Ratio
- Activity Ratios

6. REVIEW OF LITERATURE

Megaladevi (2018), A study on the impact of liquidity ratios on profitability of selected cement companies in India. The study has empirically proved through analysis that liquidity has negatively relationship with profitability, and has considerable impact on the profitability of varied cement companies in India. With the growing liquidity level to determine limit the profitability also increase. Hence, this research indicates that liquidity has negative relationship with profitability. The study suggested that liquidity have little influence of the profitability ratios.

Bhupinder Kumar Som and Himanshu Goel (2019), This study reveals that the financial performance of the company. It facilitates the investors, creditors and marketers to have insights of firm's performance. They are used to make predictions about the company's ongoing run and future growth. However, the results also highlight few areas that needs to be considered like current ratio can be a matter of concern for the investors as it directly impacts the company's financial performance.

Nandhini. J and Pavithra G (2019), This study reveals that is mainly done to analyze the financial performance of 'Ashok Leyland limited' for the period of 2014-2018. Increasing the profitability of the firm will be the main aim of any organization and it is same for Ashok Leyland limited. The financial performance of the Ashok Leyland limited was analyzed. It also gives the knowledge about usefulness of the tool used. Ratio is the tool used in this study.

7. TABULATION OF DATA ANALYSIS

LIQUIDITY RATIO CURRENT RATIO

Year	Current Assets	Current Liabilities	Current Ratio
2015-2016	8,868.90	8,241.81	1.07
2016-2017	11,162.98	10,399.32	1.07
2017-2018	14,421.56	14,191.48	1.01
2018-2019	16,487.48	15,315.86	1.07
2019-2020	15,309.49	14,794.65	1.03

INTERPRETATION

The above table shows that the current ratio in this year 2015-2016 was 1.07 and then be the 1.07 in the year 2016-2017 then decreases to 1.01 in the year 2017-2018 again increases to 1.07 in the year 2018-2019 then move downwards to 1.03 in the year 2019-2020. The current ratio shows highest growth rate in the year 2016, 2017 and 2019 as 1.07 and the lowest rate in the year 2018 as 1.01.

PROFITABILITY RATIO OPERATING PROFIT RATIO

Year	Operating Profit	Sales	Operating Profit Ratio
2015-2016	19,695.87	21,423.52	91.9
2016-2017	21,390.76	23,001.66	92.9
2017-2018	26,433.83	29,819.45	88.6
2018-2019	29,437.83	33,324.90	88.3
2019-2020	18,807.86	22,059.10	85.2

INTERPRETATION

The above table shows the Operating Profit Ratio in the year 2015-2016 was 91.9% and then increases to 92.9% in the year 2016-2017 and decreases to 88.6% in the year again decreases to 88.3% in the year 2017-



2018 again decreases to 85.2% in the year 2019-2020. In the Operating profit ratio, the highest growth rate was 92.9 in the year 2017 and the lowest growth rate was 85.2 in the year 2020.

SOLVENCY RATIO PROPRIETARY RATIO

Year	Shareholders Funds	Total Tangible Assets	Proprietary Ratio
2015-2016	5,263.70	4,692.74	1.12
2016-2017	6,392.94	5,072.23	1.20
2017-2018	7,420.59	5,069.47	1.46
2018-2019	8,745.57	5,070.85	1.72
2019-2020	7,788.81	5,835.66	1.33

INTERPRETATION

The above table shows Proprietary Ratio in the year 2015-2016 was 1.121:1 increased to 1.260:1 in the year 2016-2017 and then increases to 1.463:1 in the year 2017-2018 and move forwards to 1.724:1 in the year 2018-2019 and decreases to 1.334:1 in the year 2019-2020. In the Proprietary ratio the highest growth rate was 1.724 in the year 2019 and the lowest growth rate was 1.121 in the year 2016.

ACTIVITY RATIO CAPITAL TURNOVER RATIO

Year	Sales	Capital Employed	Capital Turnover Ratio
2015-2016	21,423.52	13,956.09	1.53
2016-2017	23,001.66	16,269.00	1.41
2017-2018	29,819.45	19,326.51	1.54
2018-2019	33,324.90	23,806.05	1.39
2019-2020	22,059.10	23,332.21	0.94

INTERPRETATION

The above table shows Capital Turnover ratio in the year 2015-2016 was 1.53times and then decreases to 1.41times in the year 2016-2017 and increases to 1.54times in the year 2017-2018 and then decreases to 1.39times in the year 2018-2019 again decreases to 0.94times in the year 2019-2020. In Capital turnover ratio the highest growth rate was 1.54 in the year 2018 and the lowest growth rate was 0.94 in the year 2020.

8. FINDINGS

- The Current ratio shows highest growth rate in the year 2016, 2017 and 2019 as 1.07 and the lowest rate in the year 2018 as 1.01.
- In the Operating profit ratio, the highest growth rate was 92.9 in the year 2017 and the lowest growth rate was 85.2 in the year 2020.
- In the Proprietary ratio the highest growth rate was 1.724 in the year 2019 and the lowest growth rate was 1.121 in the year 2016.
- In Capital turnover ratio the highest growth rate was 1.54 in the year 2018 and the lowest growth rate was 0.94 in the year 2020

9. SUGGESTIONS

- The company should get the goodwill from the creditors so as to enjoy the credit worthiness.
- Current assets should be increased
- The company should maintain its Debt position.
- Sales should be increases without the additions of fixed assets.
- The company should concentrate on their selling, distribution and administrative expenses and should reduce the expenses of their company.

10. CONCLUSION

The analysis of the company was undertaken with the help of ratios, which are important tools of monetary analysis. The validation of varied data like record and Profit and Loss account associated with Ashok Leyland limited was found during an analytical statement, it's clear that the profitability more or less depends upon the upper utilization of resources. The study gives a transparent idea of the financial performance of the corporate over the last 5 years. generally, the corporate has achieved an incredible progress over the recent



years. the corporate was ready to meet its entire requirements for the capital expenditures and better level of capital commitment with higher volume of operations and from its operating cash flows.

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