



A STUDY ON FINANCIAL PERFORMANCE OF HERO MOTOCORP LIMITED

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ABSTRACT

Finance is the life-blood of business enterprise. It is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the items of the profit and loss account and balance sheet. This research is done with the help of secondary data, which is gathered from the annual report of the company.. The study has been undertaken for the period of five years from 2015-2016 to 2019-2020. The financial performance can be measured by using various tools such as liquidity ratio, profitability ratio, solvency ratio and activity ratio. This study is based on overall financial performance of Hero Motocorp Limited.

KEYWORDS: *Financial performance. Ratio Analysis*

INTRODUCTION

Finance is considered as life blood of business enterprise. It is one of the basic foundations of all kinds of economic activities. It may be defined as the art and science of managing money. It includes financial service and financial instruments. Finance is also referred as provision of money at the time when it is needed. It is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of profit and loss account and balance sheet. It also helps in short term and long term forecasting and growth can be identified with the help of financial performance analysis. The dictionary meaning of 'analysis' is to resolve or separate a thing in to element or components parts for tracing their relation to the things as whole and to each other. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance. This analysis can be undertaken by management of the firm or by parties outside the namely, owners, creditors, investors.

Financial performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of financial risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregations.

In the modern world, all the activity are concerned with economic activity and very particular to earning profit through any venture or activities. The entire business activities are directly related with requirements of capital, investments, funds, etc., but each term is having different meaning and unique characters. Sometimes finance may be increasing the profit or decreasing the profit in business concern. In this concept of finance increasing the profit is the main aim of any kind of economic activity. The concept of finance may include as capital, funds, mainly prepared to studying and understanding the concept of finance become an important part of financial become performance as ratio in the business concern.



Ratio analysis is one of the techniques of financial analysis where ratios are used as a yardstick for evaluating the financial condition and performance of a firm. It can assist the management its basic function like forecasting, planning, coordinating, control and communication. It is one of the important techniques which are used to measure the establishment of relationship between the two interrelated accounting figures in financial statements. This analysis helps to management for decision making. Ratio analysis is an effective tool which is used to ascertain the liquidity and operational efficiency of the concern.

The Indian auto industry is one of the largest in the world, along with the auto components industry in the global market. It occupies a prominent place in the fabric of Indian Economy. Automobile sector is leader in product and process technologies in the manufacturing sector. The global and Indian manufacturers are focusing their efforts to develop innovative products, technologies and supply chains. India is one of the key markets for Global manufacturers for hybrid and electronic vehicles, which is the new development in automobile sector. India is one of the key markets for global manufacturers for hybrid and electronic vehicles, which is the new development in automobile sector. India is one of the world's fastest growing passenger car markets it is second largest two wheeler manufacturer and fifth largest commercial vehicle manufacturer. It is also home for the largest motor cycle manufacturer. Moreover, India is fourth largest passenger car market in Asia.

STATEMENT OF THE PROBLEM

Financial management is one of the important components of management of a company and it is a backbone of any business activities. Efficient financial management of a company will give success for any business activity. Nowadays, every company is facing day to day risk for the requirement of finance in order to run the business. So, there is a need for every organization to evaluate their performance in each year. Ratios are a very powerful analytical tool for measuring performance of an organization. Here, this study investigates the performance of Hero MotoCorp limited.

OBJECTIVES OF THE STUDY

- To analyze the liquidity position of the company.
- To analyze the profitability position of the company.

- To analyze the financial strength and weakness of the company.
- To analyze the financial growth of the company during the study period

REVIEW OF LITERATURE

Suvarun Goswami (2011) has found that, in business working capital is considered as life blood in human body. It is a capital required to operate business on day to day basis and it varies according to the nature of business, production, sales policies, turnover, etc. Its aim objectives is to measure, test and evaluate the liquidity and profitability position of the company. The findings suggested that it may be possible to increase profitability by improving efficiency of working capital.

Moses Joshuva Daniel (2013) it explores, that the financial statement provides the basic data for financial performance analysis. This study aims at analyzing the overall financial study of the Tata motors by using various financial tools. The company has stable growth and it shows a greater status in all the areas it works. The company has been suggested to reduce the expenditure as it increases the profitability.

Dr. V. Maheswari (2015) it explores, that this study is purely based on secondary data, which was collected from published annual reports on hero Honda motors ltd. It can be measured by using various tools like liquidity ratio, solvency ratio, and profitability ratio. The finding in the area of liquidity, profitability and solvency shows highly satisfactory financial performance. The company with a major share in Indian two wheeler markets has a very good potential to improve its profitability in future if it continue its diligence and care in its financial performance sphere.

RESEARCH METHODOLOGIES

This research depends wholly on secondary data which is exclusively related with report of cement industry.

SOURCE OF DATA

The study is based on secondary data. Data regarding industries is collected from the annual report of selected industries with help of websites, books, journals, magazines.

PERIOD OF STUDY

For the purpose of a analysis industry period taken is 2015-16 to 2019-2020



TOOLS FOR ANALYSIS

Only Ratio analysis is used in this study. Such as

- Liquidity ratio
- Profitability ratio
- Solvency ratio
- Activity ratio

LIMITATIONS OF THE STUDY

- The study was conducted for a period of five years.
- The study is done with the help of secondary data.
- The reliability and correctness of the study depends on the information provided in the annual reports of the company.

FINDINGS

- The Current ratio is increased the ratio of 2 in the year 2017-2018 and 2019-2020 and decreased 1.76 in the year 2015-2016. The Current ratio 2:1 is to be considered to be satisfied in the year 2017-2018 and 2019-2020.
- The Liquid ratio is increased the ratio of 1.79 in the year 2017-2018 and decreased 1.55 in the year 2015-2016.
- The Absolute Liquid ratio is increased the ratio of 0.1 in the year 2019-2020 and decreased to 0.04 in the year 2016-2017.
- The Gross Profit ratio is increased the ratio of 105.56 in the year 2015-2016 and decreased 96.09 in the year 2019-2020.
- The Net Profit ratio is increased the ratio of 97.74 in the year 2015-2016 and decreased 96.09 in the year 2019-2020.
- The Operating Profit ratio is increased the ratio of 99.39 in the year 2015-2016 and decreased 86.97 in the year 2019-2020.
- The Expenses ratio is increased the ratio of 86.99 in the year 2019-2020 and decreased 84.11 in the year 2017-2018.
- The Ratio of Current Assets to Fixed Assets is increased the ratio of 0.79 in the year 2019-2020 and decreased 0.59 in the year 2017-2018.
- The Proprietary ratio is increased the ratio of 2.7 in the year 2018-2019 and decreased 2.3 in the year 2016-2017 and 2019-2020.
- The Stock Turnover ratio is increased the ratio of 32 in the year 2018-2019 and decreased 15.3 in the year 2015-2016.

- The Fixed Assets Turnover ratio is increased the ratio of 6.5 in the year 2015-2016 and decreased 4.4 in the year 2019-2020.
- The Total Assets Turnover ratio is increased the ratio of 2 in the year 2015-2016 and decreased 1.5 in the year 2019-2020.
- The Working Capital Turnover ratio is increased the ratio of 10.56 in the year 2015-2016 and decreased 6.8 in the year 2019-2020.
- The Capital Turnover ratio is increased the ratio of 3.09 in the year 2015-2016 and decreased 1.94 in the year 2019-2020.
- The Current Assets Turnover ratio is increased the ratio of 4.6 in the year 2015-2016 and decreased 3.6 in the year 2019-2020.

SUGGESTION

- The company is able to pay short term obligations and the company has enough quick assets to pay for its current liabilities, so the company has to maintain this further.
- The Profitability ratios have average level of performance, so they need to analysis the expenses and cut off expenses to raise profitability level of performance.
- The company should improve the proprietary ratios to meet its long term solvency of the firm.
- The Stock Turnover ratio has good performance but they need to increase the sales level by using stock efficiently. .
- In Working Capital Turnover ratio, the company wants to utilize working capital efficiently in using a firm's short term assets and liabilities to support sales.
- The company should improve the utilization of capital efficiently which would lead to higher profitability for upcoming years.
- Proper inventory control measures should be taken to reduce the unnecessary stock and to maintain appropriate lead time.

CONCLUSION

This study was conducted to evaluate the financial performance of HERO MOTOCORP LIMITED, for the period of 5 years ranging from 2015-2016 to 2019-2020. It helps to explore the strength and weakness of the company. By analyzing the financial performance of the company, the researcher found that many shortfalls, after a careful analysis, researcher has offered many valuable suggestions like, they have to increase the performance level and they should reduce



the cash outflow and expenses. Then they will increase their turnover and profit to the company, which would be very useful to them for their future growth. Hence, the financial performance of the company is good.

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