



# **A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF TVS MOTORS**

**Mr. S. Muruganatham**

*Assistant professor, Department of Commerce with Professional Accounting, Dr N.G.P. Arts and Science College (Autonomous), Coimbatore*

**S.A Barkavi**

*III B. Com (Professional Accounting), Dr N.G.P. Arts and Science College (Autonomous), Coimbatore*

## **ABSTRACT**

*This study main focus on to analysis the overall performance of the TVS Motors to analysis the overall performance with the help of financial statement with shows all incomes and expenditure and assets and liabilities in the format of profit & loss and balance sheet this statement is analyzed it is called performance it help the firm take any decision and to get knowledge about their function of financial aspects in business .The method used to analysis their performance was ratio analysis (liquidity ,profitability and activity ) and schedule changing in working capital this method help to analysis their performance of the company .*

**KEYWORDS:** *Financial performance analysis, Ratio*

## **INTRODUCTION**

Finance is the life blood of every economics and business activity. Finance is study of fund management. Its one of the very important aspects of business process. Finance performance is process of defining the strength and weakness of firm as finance plays a vital role in all aspects of corner of business activity financial changes or effects are reflected on policies, process, activity, turnover, production and all departments of business so all elements of business is dependent on financial aspects .

## **STATEMENT OF PROBLEM**

As a competitive world so it's important to win the race so for the business financial performance and analysis is key factor and guideline to win the race. The result of financial analysis and performance reflected as mirror in financial position and success of business. The goal of such analysis and performance is to determine the efficiency of operation of firm. The financial statement only shows the process and activity done but financial analysis and performance 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.

## **SCOPE OF STUDY**

The efficiency of business is affected by financial performance so it's important to measure financial performance. The study helps to take decisions and manage according to financial performance. The scope of this study to know capacity of liquidity of assets , stability of profit, and flexibility of activities of business by using ratio analysis and to know changing in working capital the above measures are measured by 5 years financial statements. The main scope is to know the strength and weakness of financial performance and to measure overall efficiency of firm and interpreted and gives suitable suggestions to improve their finance al position in future.

## **OBJECTIVES OF STUDY**

- To analysis Liquidity and Profitability position of business
- To analysis working capital of the company



- To examine and measure the overall financial performance of TVS Motors company
- To interpret the strength and weakness of the concern.

**RESEARCH METHODOLOGY**

The research design used was analytical research design. The data was collected from secondary data from five years financial statement of the company period from (2014-2015 to 2018-2019) the techniques used to analysis this study was ratio analysis and schedule of changing in working capital.

**LIMITATION**

- The financial analysis is done only with 5 years of financial statement of the company
- The study is done with the sources and data collected from secondary data from website and its based on the past and historical information

**REVIEW OF LITERATURE**

S.Kumar, N. Saravanan (2019), Conducted a analysis and study on Financial performance of comparative of MRF TYRES and Other Tyres industries in India the period of study was 5 years from (2014-2018) for three tyre companies in India with MRS Tyres namely MRF, APLLO, CEAT, JK Tyres their problem of study was as financial manager they need to take decision on their focus with past record of performance to collect information so in this study to see MRF TYRES performance with compare to other top three companies using various tools to analysis their liquidity, profitability leverage and solvency

performance this study was based on both data they had measured all growth efficiency level of MRF Tyres and all other companies and they suggested that MRF Tyres concern should develop their financial performance when compared to all other three companies.

Suman Rana (2019) They Has entitled their study as Financial analysis of Tata motors and maruthi Suzuki to analysis performance of both company their research design is descriptive cum analysis in nature the data was collected in secondary data and period of study was 4 years from 2013-2018 and had used ratio as their tool and interpreted result in statistical analysis and graphic method they had find that Tata motors are more ability in payment ratios are higher in maruthi Suzuki has more sales volume and overall the maruthi Suzuki is more efficient performance in comparative study .

**FINANCIAL ANALYSIS AND INTERPRETATION RATIO ANALYSIS CURRENT RATIO**

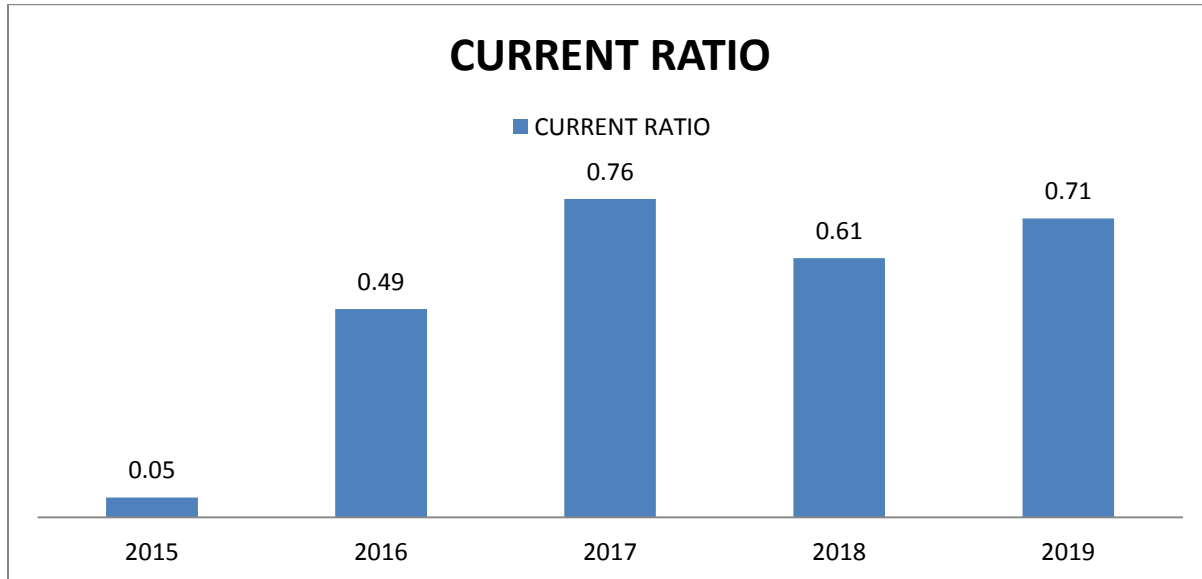
It is a measure of a company's liquidity and its ability to meet short-term obligations

Current Ratio =

$$\text{Current Assets} / \text{Current Liabilities}$$

**Table 1 Shows Current Ratio**

S.NO	YEAR	CURRENT ASSETS	CURRENT LIABILITY	CURRENT RATIO
1	2015	3,043.95	4,962.88	0.61
2	2016	2,299.96	4,650.13	0.49
3	2017	1,914.93	2,533.56	0.76
4	2018	1,427.01	2,321.59	0.61
5	2019	1,459.75	2,057.84	0.71

**Chart 1 Showing Current Ratio****INTERPRETATION**

The above table show the performance of current ratio in 2015 the ratio was 0.05:1 and increases year by year in like 0.49:1 than 0.76:1 still 2017 in 2018 it decreased to 0.61:1 and again it increased in 2019 to 0.71:1 it shows both good and normal growth

**LIQUID RATIO**

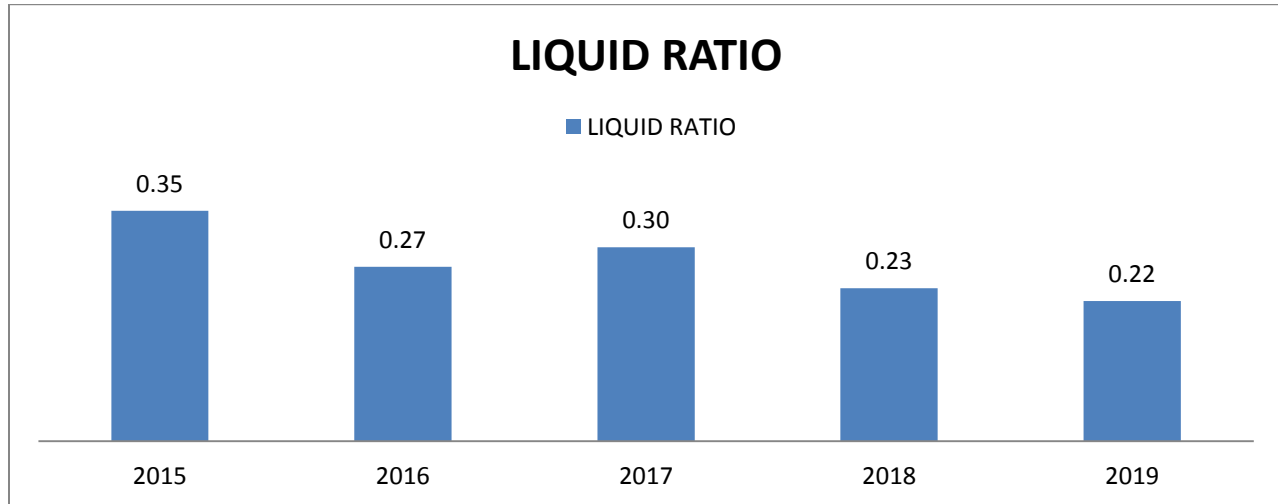
Quick or Acid Test indicates whether the firm is in a position to pay its current liabilities within a month or immediately. This ratio is the best measure of the liquidity in the company.

**Quick Ratio =**

**Quick Assets Current Liabilities/Quick Liabilities**

**Table 2 Showing Liquid Ratio**

S.NO	YEAR	LIQUID ASSETS	CURRENT LIANILITY	LIQUID RATIO
1	2015	1,752.38	4,962.88	0.35
2	2016	1,243.81	4,650.13	0.27
3	2017	753.07	2,533.56	0.3
4	2018	544.41	2,321.59	0.23
5	2019	442.56	2,057.84	0.22

**Chart 2 Showing Liquid Ratio****INTERPRETATION**

The standard level is 1:1 the level of performance in 2015 was 0.35:1 which is highest level in this five years and then it starts decreasing like 0.27:1 and it increasing in 2017 to 0.30:1, in 2018 and 2019 it decreased to 0.23:1 and 0.22:1 so the liquid ratio decreases year by year so it shows not a healthy or good performance

**ABSOLUTE LIQUID RATIO**

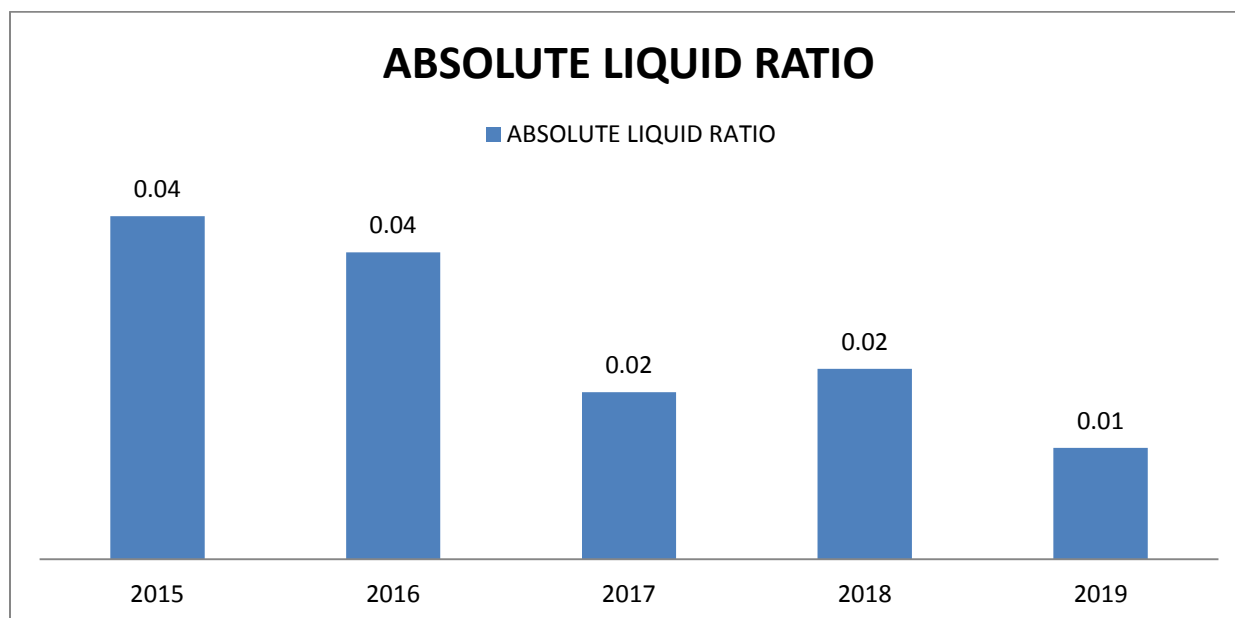
The relationship between the absolute liquid assets and current liabilities is established by this ratio.

**Absolute Liquid ratio =**

**Absolute liquid assets \ liquid liabilities.**

**Table 3 Showing Absolute Liquid Ratio**

S.NO	YEAR	ABSOLUTE LIQUID ASSETS	LIQUID LIABILITY	ABSOLUTE LIQUID RATIO
1	2015	206.31	4,962.88	0.04
2	2016	172.93	4,650.13	0.04
3	2017	51.26	2,533.56	0.02
4	2018	53.57	2,321.59	0.02
5	2019	27.81	2,057.84	0.01

**Chart 3 Showing Absolute Liquid Ratio****INTERPRETATION**

The absolute liquid ratio standard ratio is the absolute liquid ratio in 2015 is 0.04:1 and it was constant in 2016 at 0.04:1 and in 2017 and 2018 it decreased to 0.02:1 in 2019 it was decreased to 0.01:1 which was least level of performance in this five years so it need to increase their level of performance in absolute liquid assets and in their liquidity in their business

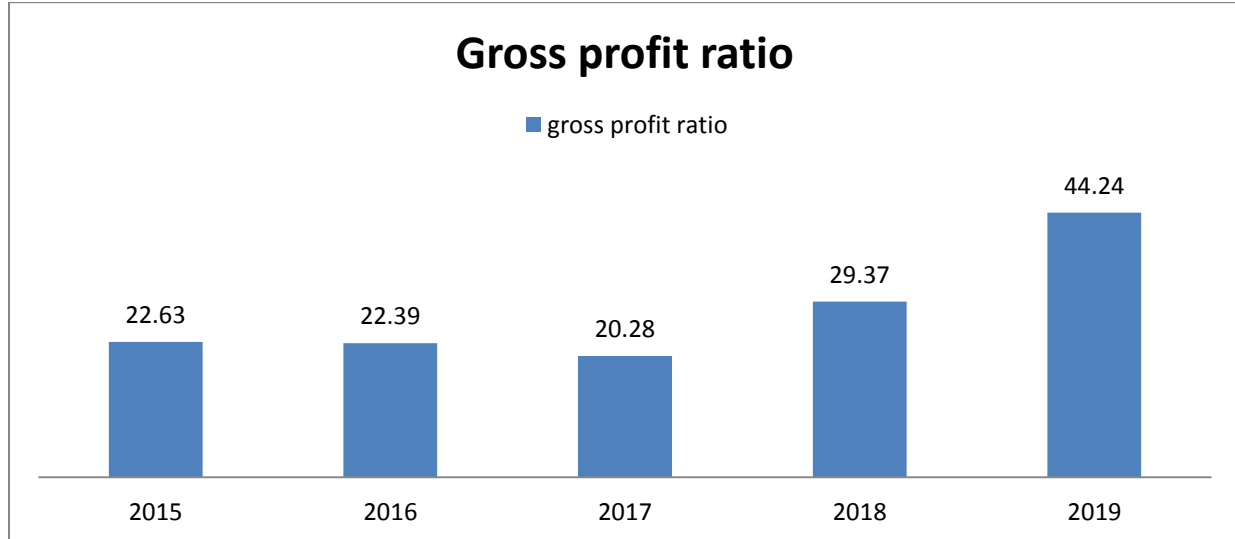
**GROSS PROFIT RATIO**

This ratio indicates the efficiency of trading activities. The relationship of Gross profit to sales is known as **gross profit ratio**. This ratio is calculated as

$$\text{Gross profit ratio} = \frac{\text{gross profit}}{\text{sales}} * 100$$

**Table 4 Showing Gross Profit**

S.NO	YEAR	gross profit	SALES	gross profit ratio
1	2015	2172.33	20,159.99	22.63
2	2016	3505.72	16,294.50	22.39
3	2017	2527.61	12,462.62	20.28
4	2018	3648.65	12,423.93	29.37
5	2019	4,561.42	10,311.68	44.24

**Chart 4 Showing Gross Profit****INTERPRETATION**

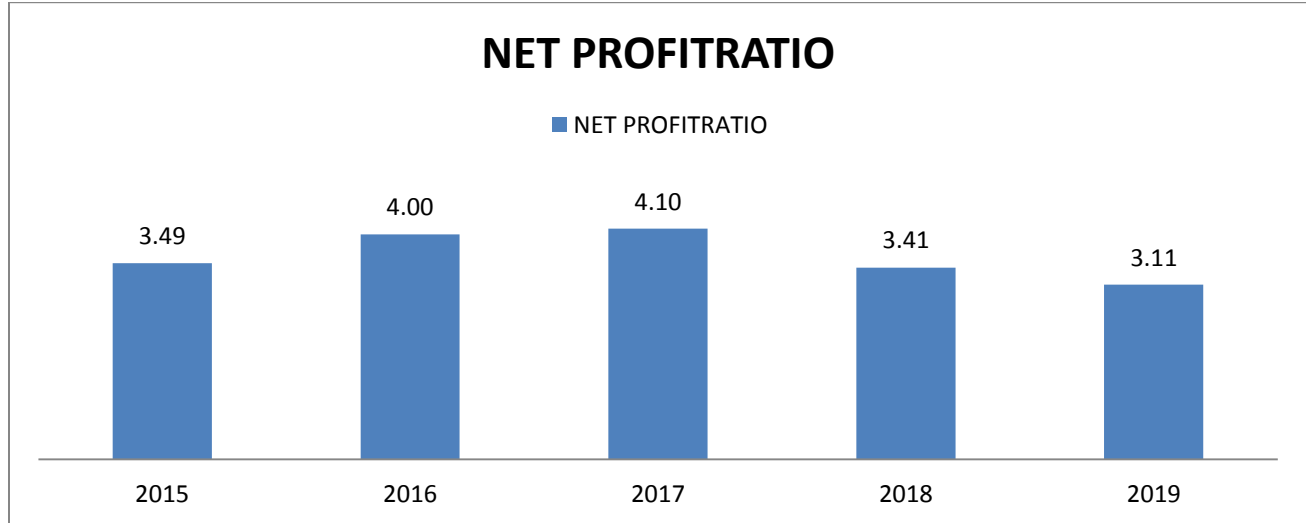
The above table and chart present about level gross profit in their business the gross profit in 2015 was 22.63% and it increases year by year in 2016 it was 22.39% , in 2017 it was 20.28% it was least level in this five years in 2018 it increased to 29.37% , in 2019 it was a great level of increased percentage at 44.24% to the gross profit of the firm perform well and healthy so they are maintaining a good efficiency level of trading aspects

**NET PROFIT RATIO.**

This ratio determines the overall efficiency of the business. The relationship to sales is known as of **NET PROFIT RATIO**. The ratio is calculated as:  
**Net profit ratio = net profit / sales \* 100**

**Table 5 Showing Net Profit**

S.NO	YEAR	NET PROFIT	SALES	NET PROFITRATIO
1	2015	702.97	20,159.99	3.49
2	2016	651.78	16,294.50	4
3	2017	511.04	12,462.62	4.1
4	2018	423.8	12,423.93	3.41
5	2019	320.22	10,311.68	3.11

**Chart 5 Showing Net Profits****INTERPRETATION**

This interpretation is about net profit it shows the efficiency of business as the net profit in 2015 was 3.49% and it increased in 2016 and 2017 at 4.00%, 4.10% and it starts decreasing in 2018 and 2019 at 3.14%, 3.11% and 2019 shows a least level of net profit so it shows a unhealthy performance of efficiency of

business so they had to make a healthy efficiency of business

**OPERTAING PROFIT RATIO**

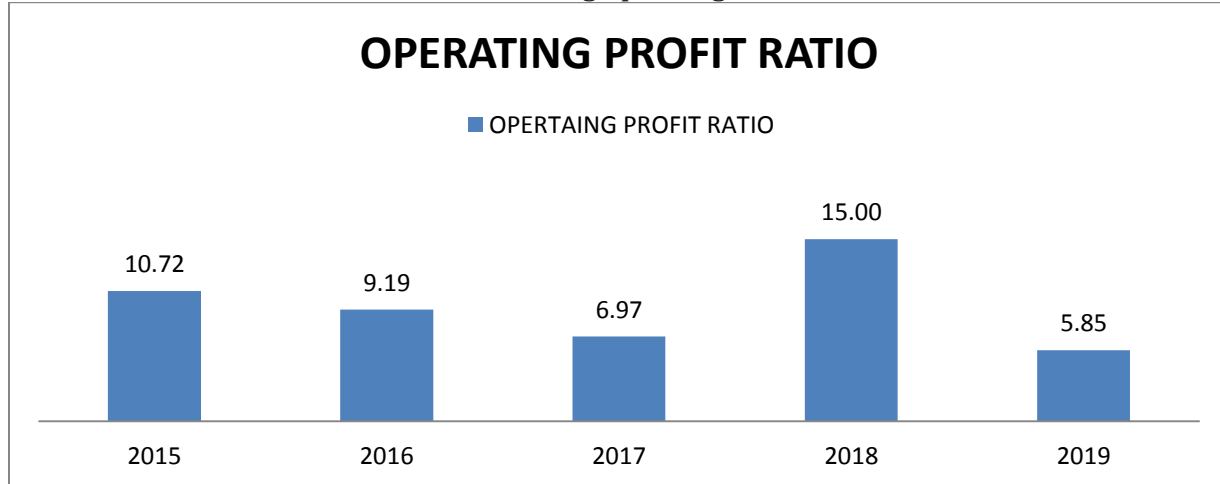
This ratio is an indicator of the operational efficiency of the management. It establishes the relationship between Operating profit and sales. The ratio is calculated as:

**Operating profit ratio=**

$$\text{operating profit ratio} / \text{sales} * 100$$

**Table 6 Showing Operating Profit Ratio**

S.NO	YEAR	OPERTAING PROFIT	SALES	OPERATING PROFIT RATIO
1	2015	2,160.82	20,159.99	10.72
2	2016	1,496.70	16,294.50	9.19
3	2017	868.76	12,462.62	6.97
4	2018	1,862.98	12,423.93	15
5	2019	602.93	10,311.68	5.85

**Chart 6 Showing Operating Profit Ratio****INTERPRETATION**

This table and charts evaluate about the operating profit ratio the operating profit ratio on 2015 was 10.72% and than in 2016 it decreased to 9.19% and decreased to 6.97 on 2017 than it increased to 15.00% in 2018 it is highest level of performance in five years and it decreased to 5.85% on 2019 it was least level in this five years so they have a average level of growth so they have to increase their performance .

**EXPENSES RATIO**

The expenses ratio also sometimes known as the management expenses ratio it measures how much of a fund are used for the administration and other operating expenses an expenses ratio is determined by dividing expenses by net sales

$$\text{Expenses ratio} = \frac{\text{expenses}}{\text{sales}} * 100$$

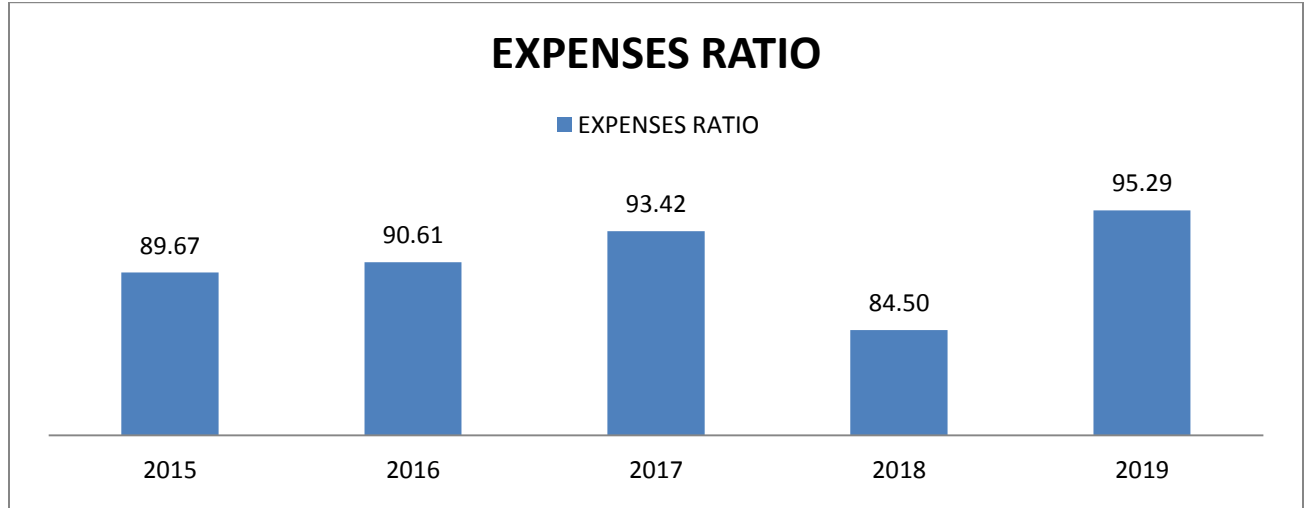
**Table 7 Showing Expenses Ratio**

S.NO	YEAR	TOTAL EXPENSES	SALES	EXPENSES RATIO
1	2015	18,078.12	20,159.99	89.67
2	2016	14,763.84	16,294.50	90.61
3	2017	11,642.63	12,462.62	93.42
4	2018	10,498.18	12,423.93	84.5
5	2019	9,825.75	10,311.68	95.29





Chart 7 Showing Expenses Ratio

**INTERPRETATION**

The expenses should be kept in a minimum level not at a maximum level in 2015 the expenses ratio was 89.67% and it increased in expenses in 2016 and 2017 at 90.61% and 93.42% and it decreases the expenses level in 2018 at 84.50% it's a least and minimum level of expenses level and in 2019 it was increased to 95.29% which was a highest level of

expenses so they should control their expenses level at minimum cost

**RETURN ON ASSETS**

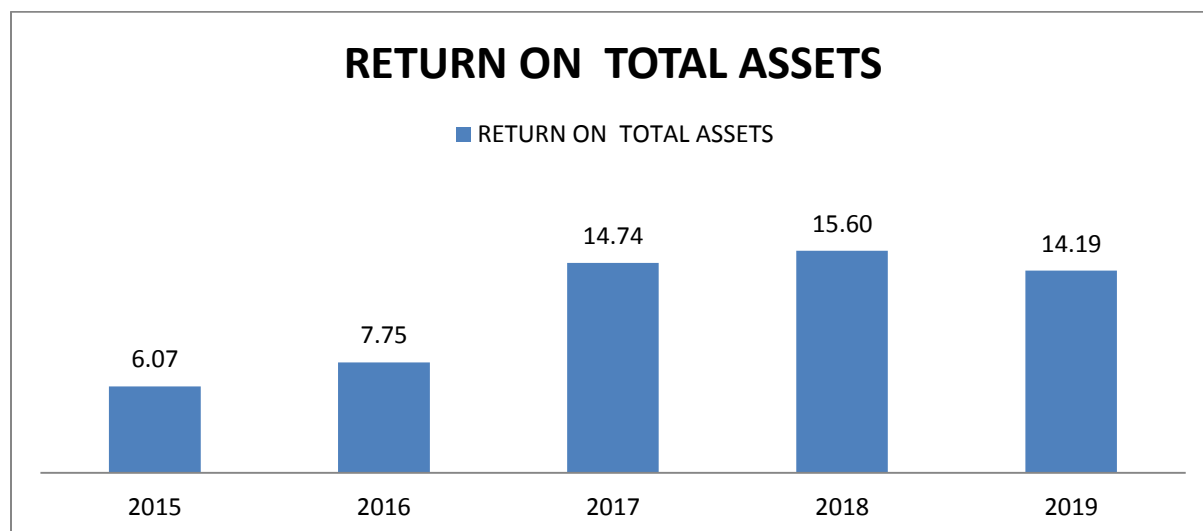
Return on total assets indicates that how profitable a company is relatives to total assets it's an idea as to how efficient management is at using its assets to generate earnings

**Return on total assets=**

$$\text{net profit} / \text{total assets} * 100$$

Table 8 Showing Return On Total Assets

S.NO	YEAR	NET PROFIT	TOTAL ASSETS	RETURN ON TOTAL ASSETS
1	2015	702.97	11,578.91	6.07
2	2016	651.78	8,411.67	7.75
3	2017	511.04	3,466.90	14.74
4	2018	423.8	2,717.27	15.6
5	2019	320.22	2,256.46	14.19

**Chart 8 Showing Returns On Total Assets****INTERPRETATION**

The above table and chart shows the performance of the return on total assets the level of return on assets in 2015 was 6.07% and it increases in 206, 2017, 2018 (7.75%, 14.74%, 15.60%) and in 2019 it decreased to 14.19% it indicates that there was a healthy performance level of the return in assets and there was good return in the assets

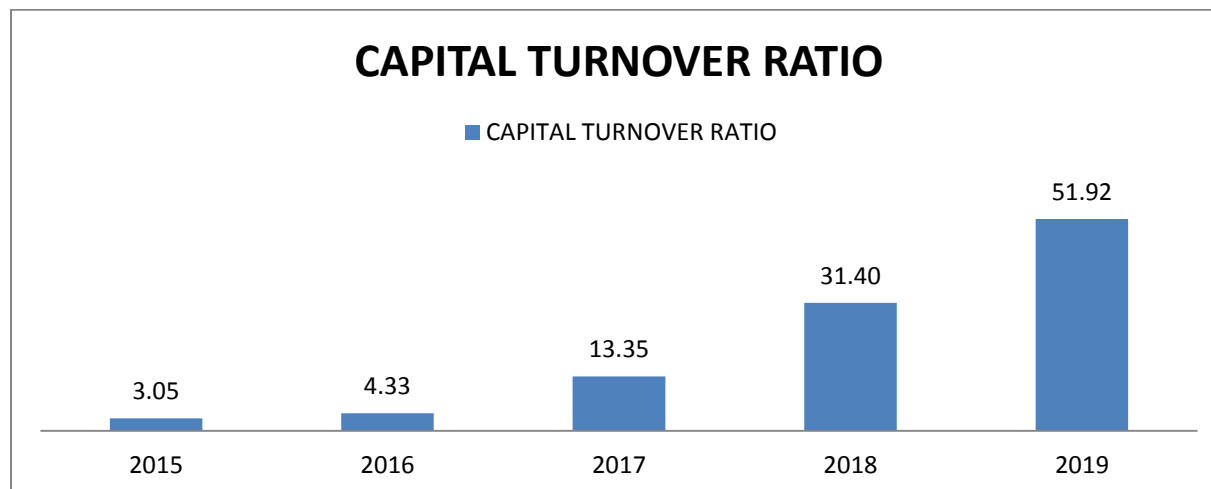
**CAPITAL TURNOVER RATIO**

Capital turnover ratio shows the number of times the capital has been rotated in the process of carrying on the business efficient use of capital may lead to higher profitability.

**Capital turnover ratio= net sales / working capital**

**Table 9 Showing Capital Turnover Ratio**

S.NO	YEAR	SALES	CAPITAL EMPLOYED	CAPITAL TURNOVER RATIO
1	2015	20,159.99	6,616.03	3.05
2	2016	16,294.50	3,761.54	4.33
3	2017	12,462.62	933.34	13.35
4	2018	12,423.93	395.68	31.4
5	2019	10,311.68	198.62	51.92

**Chart 9 Showing Capital Turnover Ratio**

### INTERPRETATION

The above table and chart present about the capital turnover in business the capital turnover in 2015 was 3.05 it's a least turnover in this five years and it stats increasing in 2016, 2017, 2018 and 2019 (4.33, 13.35, 31.40 and 51.92 times) in 2019 it was great increasing in capital turnover over his five years at 51.92 times so they maintaining a excellent level of capital turnover and they are generating more turnover using capital they are increasing their turnover year by year.

### FINDINGS RATIO

- The Current ratio has highest level of growth in 2017 at 0.76:1 and least performance in 2015 at 0.05:1
- The Liquid ratio shows it highest level of increase in 2015 at 0.35:1 and lest level of performance was in 2019 at 0.22:1
- Absolute liquid ratio evaluated it highest level of increase in 2015 at 0.04:1 and lest level of performance was in 2019 at 0.01:1
- Gross profit prove it highest level of improvement in 2019 at 44.24% and lowest level was in 2017 at 20.28%
- he Net profit has level of improvement in 2017 at 4.10% and lowest level was in 2019 at 3.11%
- The Operating profit ratio shows it highest level of improvement in 2018 at 15.00% and lowest level was in 2019 at 5.85 %

- The Expenses indicates that in 2019 at 95.29% it was highest performance and lowest level was in 2018 at 84.50%
- The return on assets shows it highest level of improvement in 2018 at 15.60% and lowest level was in 2015 at 6.07%
- Capital turnover ratio evaluated it highest level of improvement in 2019 at 51.92 times and lowest level was in 2015 at 3.05 times

### CHANGES IN WORKING CAPITAL

- The changes in working capital for 2015 was 80.77 and 2016 was -310.59 as it shows that compared to 2015 , in 2016 the working capital decrease at 391.36.
- changes in working capital in 2016 was -310.59 and 2017 was 114.16 it indicates that 2017 also shows negative but compared to 2016 in 2017 the working capital increase at 196.43 .
- Changes in working capital in 2017 were -114.16 and 2018 was 4,583.54 and in 2018 it increases at 4,697.70.
- Changes in working capital in 2018 were 4,583.54 and 2019 was 7,027.87 and in 2019 it increases at 2,444.33.

### SUGGESTIONS

- As Liquidity ratio is not up to standard level so they need to increases there liquidity position then only they will be able to pay their short term debts .
- As profitability ratio have average level of performance so they need to increase their profitability position so they need to reduce their



expenses and cash outflow and increase their turnover.

- They has good return from capital in their performance but for future growth they need to improve profit and sales turnover to increase their capital turnover they have utilize their capital in healthy way .
- The changes in working capital has negative performance first two years and it then it has growth. The negative result not shows negative performance they has more current liability over current assets it indicates that they has more cash inflows than outflows so they should and cut off cash outflow for future growth.

## CONCLUSION

After the analysis of various data related to TVS Motors for 5 years in analytical approach the main aim of this study is to analysis over all position of TVS Motors Analysis shows that the performance of business is good and they have healthy performance so the good performance depend on better utilization of resources so in future they have to increases their performance level they need to cut off expenses and cash outflow and they should have more liquidity position to meet their short term debts they should have more cash inflow over cash outflow to maintain they stability . They need to increase their sales volume, and generate more from capital and from available resources this help the company to increase their level of performance

## REFERENCE

1. S.Kumar& Dr N. Saravanan (2019) "**Financial performance analysis of a comparative study of MRF TYRES INDUSTIRES AND OTHER TYRE INDUSTRIES IN INDIA** " Research review international journal of multidisciplinary Volume -4 Issue-01pp no 675- 679.
2. Suman Rana (2019) "**Financial analysis of TATA MOTORS & MARUTI SUZUKI**" Research review international journal of multidisciplinary volume-04, issue-03 pp 897-900.