SJIF Impact Factor: 6.260| ISI I.F.Value:1.241| Journal DOI: 10.36713/epra2016 ISSN: 2455-7838(Online) EPRA International Journal of Research and Development (IJRD)

Volume: 5 | Issue: 3 | March 2020

- Peer Reviewed Journal

A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF HERO MOTOCORP LIMITED

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ABSTRACT

This study is focus on the overall performance of the Hero Moto Corp limited. The concept of financial analysis to identifying financial strength of the company with help of its profit & loss account and balance sheet. The financial performance can be measured by using various financial tools such as liquidity ratio, profitability ratio, solvency ratio and schedule changing in working capital. This methods is helps to analysis their performance of company.

KEYWORDS: Financial performance analysis, Ratio

INTRODUCTION

Finance may be defined as the art and science of managing money. Finance increasing a profit is the main aim of any kind of economic activity. The concept of finance may include as capital, funds, money and amount. But each word is having unique meaning. In this financial statement are mainly prepared to studying and understanding the concept of finance become an important part of financial performance as ratio in the business concern. Today, every management is desirous to know their financial strength to make best of available resource to the maximum extent and able to sort out its weakness to initiate and adopt suitable corrective action to improve its industrial operations in terms of solvency efficiency and profitability. So finance is the life blood of every economics and business activity.

STATEMENT OF PROBLEM

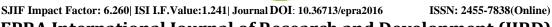
Analysis and interpretation of financial statement is a regular exercise to review the performance of the companies. Nowadays risk in every company is increasing day to day and the requirement of finance is more to run the business. Hence there is a need for every organization to evaluate their performance each year in order to capture a place in the market. Ratio have proven to be an effective and a very powerful analytical tool useful for measuring performance of an organization. Thus this study investigates the performance for Hero Moto Corp limited.

SCOPE OF STUDY

- This study covers the ratio analysis and working capital management of the HERO MOTOCORP LIMITED.
- This study has greater significance and provides benefits to various parties whom directly or indirectly interact with the company.
- The finding and suggestion throw light on the guidelines for the effective functioning of the company.
- The study is carried out with the help of five years financial statement of the company.

OBJECTIVES OF STUDY

- To know schedule of change in the working capital.
- To analyze the profitability and liquidity position of the company.
- To analyze the financial strength and weakness of the company.



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• To analyze the financial growth of the company.

RESEARCH METHODOLOGY

The research design used was analytical research design. To study financial performance of 5 years data use of secondary data which is collected from the report and accounts of Hero MotoCorp Limited from (2014-2015 to 2018-2019) as published according to the regulation of the companies and other regulatory bodies.

LIMITATION

- The data collected for the study is secondary in nature.
- Financial statement are prepared on historical cost basis involving money value of different dates. As such the impact of price level change is completely ignored.
- The analysis and inferences does not exhibit general view of the motors form and it only reflects Hero MotoCorp Limited.

REVIEW OF LITERATURE

Suvarun goswami (2011) has said working capital in business is considered as lifeblood 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... liquidity means the capacity of the firm to convert the assets into realization value in money. It measures the ability of the firm to honor all the maturing obligations. No firm can survive without liquidity. A firm not making profit may be considered as sick, but having no liquidity may soon meet its downfall and ultimately die.

Arvind R (2013) the working capital management is the functional area of financial that covers all the accounts of the firm. It is concerned with adequacy of current assets as well as the level of risk period by current liabilities. He also viewed that firm's policies for managing its working capital should be designed to achieves three goals such as adequate liabilities minimization of risk and contributes to minimizing firm's value. The analysis of the financial statement is a process of evaluating the relationship between component parts of financial statement top obtains a better understanding of the firms and performance.

FINANCIAL ANALYSIS AND INTERPRETATION RATIO ANALYSIS CURRENT RATIO

Current ratio establishes the relationship between current assets and current liabilities. It attempts to measure the ability of a firm to meet current obligation. In order to compute this ratio, the following formula is used

Current ratio = current assets / Current liabilities

Table 1 Showing Current Ratio

(Rs in crores) **CURRENT ASSETS CURRENT LIABILITIES CURRENT RATIO** YEAR 2015 2364.33 3180.69 0.74 2087.14 3512.75 0.59 2016 2017 2354.91 4468.66 0.53 2018 2485.1 4795.19 0.52 0.87 4030.4 4607.84 2019

INTERPRETATION

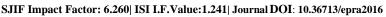
The conventional rule of current ratio 2:1. The above table show the performance of Current ratio in 2015 was 0.74 percentage and it show decreasing trends from 2016 to 2018. Then it increase to 0.87 percentage in the year 2019.

LIQUIDITY RATIO

Liquidity ratio also termed as acid test or quick ratio. It is supplementary to the current ratio.

The acid test ratio is a more sever and stringent test of a firm's ability to pay its short -term obligation as and when they become due. Liquidity ratio establishes the relationship between the liquid assets and current liabilities. In order to compute this ratio, the below presented formula is used

liquidity ratio = Current assets –(stock and prepaid expenses) /current liabilities



ISSN: 2455-7838(Online)

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(Rs in crores)				
YEAR	LIQUIDITY ASSETS	CURRENT LIABILITIES	LIQUIDITY RATIO	
2015	1548.84	;3180.69	0.49	
2016	1414.16	3512.75	0.40	
2017	1698.6	4468.66	0.38	
2018	1661.52	4795.19	0.35	
2019	2958.03	4607.84	0.64	

Table 2 Chowing Liquidity Datio

INTERPRETATION

The liquidity ratio 1:1. The above table that indicates the liquidity ratio of the company. In 2015 it was 0.49 and it has decreasing trends from 2016 to 2018. Then it increase to 0.64 in the year 2019. A liquidity ratio 1:1 is considered to be satisfactory in the year is 2019.

CASH POSITION RATIO

Cash ratio (also called cash asset ratio) is the ratio of a company's cash and cash equivalent assets to its total liabilities. Cash ratio is a refinement of quick ratio and indicates the extent to which readily available funds can pay off current liabilities. Cash ratio is the most stringent and conservative of the three liquidity ratios (current, quick and cash ratio).

Cash position ratio= cash and bank balance \ current liabilities

(Rs in crores)				
YEAR	CASH AND BANK BALANCE	CURRENT LIABILITIES	CASH POSITION RATIO	
2015	159.25	3180.89	0.05	
2016	131.36	3512.75	0.04	
2017	136.73	4468.66	0.03	
2018	141.34	4795.19	0.03	
2019	136.46	4607.84	0.03	

TABLE 3 SHOWING CASH POSITION RATIO

INTERPRETATION

It shows cash position of the company in 2015 it was 0.05 percentage and it has decreasing trends from 2016 was it 0.04 percentage and remains constant for the remaining year.

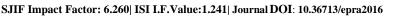
OPERATING PROFIT RATIO

Operating profit ratio indicates the operational efficiency of the firm and is a measure of the firm's ability to cover the total operating expenses. Operating profit ratio can be calculate as

Operating profit ratio = operating profit \ net sales*100

YEAR	OPERATING PROFIT	NET SALES	OPERATING RATIO
2015	3542.18	27585.3	12.84
2016	4447.01	28599.3	15.55
2017	4634.81	28500.46	16.26
2018	5280.19	32230.49	16.38
2019	4930.09	33650.54	14.65

TABLE 4 SHOWING OPERATING PROFIT RATIO (Rs in crores)



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INTERPRETATION

The operating profit in 2015 it was 12.84 and it shows increasing trends from 15.55 to 16.38 in the year 2016 to 2018. Then it has decrease to 14.65 in the year 2019.

NET PROFIT RATIO

Net profit ratio is also termed as sales margin ratio or profit margin ratio or net profit to sale ratio. This ratio reveals the firm's overall efficiency in operating the business. Net profit ratio is used to measure the relationship between net profit (either before or after taxes) and sales. Net profit includes non -operating incomes and profits. Non-operating incomes such as dividend received etc. profit or sales margin indicates available after deduction cost of production, other operating expenses, and income tax from the sales revenue. This ratio can be calculated by the following formula.

Net profit ratio= net profit\ net sales*100

(Rs in crores)				
YEAR	NET PROFIT	NET SALES	NET PROFIT RATIO	
2015	2385.64	27585.3	8.65	
2016	3132.37	28599.3	10.95	
2017	3377.12	28500.46	11.85	
2018	3697.36	32230.49	11.47	
2019	3384.87	33650.54	10.06	

TABLE 5 SHOWING NET PROFIT RATIO

INTERPRETATION

It shows the efficiency of business as the net profit in 2015 it was 8.65 and it has fluctuating from 2016 to 2018. Then it decrease to 10.06 in the year 2019. So this shows that the company has to increase the net profit has reducing the expenses.

EXPENSES RATIO

Expenses ratio (expense to sales ratio) is computed to show the relationship between an individual expense or group of expense and sales. It is computed by dividing a particular expenses or group of expenses by net sales, expenses ratio is expressed in percentages.

Expense ratio = total expenses / net sales *100

		(KS III CI UI CS)	
YEAR	TOTAL EXPENSES	NET SALES	EXPENSES RATIO
2015	24073.09	27585.3	87.27
2016	24159.11	28599.3	84.47
2017	23802.48	28500.46	83.52
2018	26973.45	32230.49	83.69
2019	28748.83	33650.54	85.43

TABLE 6 SHOWING EXPENSE RATIO (Rs in crores)

INTERPRETATION

The expenses should be kept in a minimum level not at a maximum level in 2015 it was 87.27 and it has decreasing trends from 2016 to 2018. Then it increase to 85.43 in the year 2019. So the company has to reduce the expenses.

RETURN ON CAPITAL EMPLOYED

Return on capital employed is a profitability ratio that measures how efficiency a company can

generate profit from its capital employed by comparing net operating profit to capital employed.

Return on capital employed = net operating profit/capital employed

Capital employed = total assets – current liabilities



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(Rs in crores)				
YEAR	NET OPERATING PROFIT	CAPITAL EMPLOYED	RETURN ON CAPITAL EMPLOYED	
2015	3542.18	3360.64	1.05	
2016	4447.01	3826.6	1.16	
2017	4634.81	5642.63	0.82	
2018	5280.19	6973.69	0.76	
2019	4930.09	8249.28	0.60	

INTERPRETATION

The return on capital employed in 2015 it was 1.05 and it has increasing in 2016 was 1.16. Then it decreasing trends from 2017 to 2019. It shows the return capital employed decreased.so company has to maintain the capital employed in future growth.

RETURN ON ASSETS

Return on assets is an indicator of how profitable a company is relative to its total assets. Return on assets gives an ideas as to how efficient managements is at using its assets to generate earning. Using formula to calculate the return on assets are

Return on assets = net income\ total assets

YEAR	NET INCOME	TOTAL ASSETS	RETURN ON ASSETS
2015	27952.97	6541.33	4.27
2016	28997.24	7339.35	3.95
2017	28945.64	10111.29	2.86
2018	32774.75	11768.88	2.78
2019	34352.36	12857.12	2.67

TABLE 8 SHOWING RETURN ON ASSETS (Rs in crores)

INTERPRETATION

The return on total assets the level of return on assets in 2015 it was 4.27 and it shows decreasing trends from the year 2016 (3.95) to 2019 (2.67). This shows that the company has not utilized the assets to generate earnings.

TOTAL ASSETS TURNOVER RATIO

Assets turnover ratio is the ratio of a company's sales to its assets. It is an efficiency ratio which tells how successfully the company is using its assets to generate revenue.

Total assets turnover ratio = net sales / total assets

TABLE 9 SHOWING ASSETS TURNOVER RATIO
(Rs in crores)

YEAR	NET SALES	TOTAL ASETS	ASSETS TURNOVER RATIO
2015	27585.3	6541.33	4.22
2016	28599.3	7339.35	3.90
2017	28500.46	10111.29	2.82
2018	32230.49	11768.88	2.74
2019	33650.54	12857.12	2.62

INTERPRETATION

The assets turnover ratio in 2015 it was 4.22 and it has increasing. Then it shows decreasing trends from 2016 to 2019.



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PROPRIETARY RATIO

The proprietary ratio (also known as net worth ratio or equity ratio) is used to evaluate the soundness of

Proprietary ratio = shareholder's fund / total assets

dividing the shareholder's equity by total assets.

the capital structure of a company. It is compared by

TABLE 10 SHOWING PROPRIETARY RATIO (Rs in crores)

YEAR	SHAREHOLDER FUND	TOTAL TANGIBLE ASSETS	PROPRIETARY RATIO
2015	6541.33	3180.69	2.06
2016	7944.75	3512.75	2.26
2017	10111.29	4468.66	2.26
2018	11768.88	4795.19	2.45
2019	12857.12	4607.84	2.79

INTERPRETATION

The proprietary ratio in 2015 it was 2.06 and it has increasing. Then it increasing trends from 2016 to 2019. It show that proprietary ratio was slightly increasing in the year 2015 upto 2019.

FINDINGS RATIO

- 1. The conventional rule of current ratio 2:1. The above table show the performance of Current ratio in 2015 was 0.74 percentage and it show decreasing trends from 2016 to 2018. Then it increase to 0.87 percentage in the year 2019.
- 2. The liquidity ratio 1:1. The above table that indicates the liquidity ratio of the company. In 2015 it was 0.49 and it has decreasing trends from 2016 to 2018. Then it increase to 0.64 in the year 2019. A liquidity ratio 1:1 is considered to be satisfactory in the year is 2019
- 3. It shows cash position of the company in 2015 it was 0.05 percentage and it has decreasing trends from 2016 was it 0.04 percentage and remains constant for the remaining year.
- 4. The operating profit in 2015 it was 12.84 and it shows increasing trends from 15.55 to 16.38 in the year 2016 to 2018. Then it has decrease to 14.65 in the year 2019.
- 5. It shows the efficiency of business as the net profit in 2015 it was 8.65 and it has fluctuating from 2016 to 2018. Then it decrease to 10.06 in the year 2019. So this shows that the company has to increase the net profit has reducing the expenses.
- 6. The expenses should be kept in a minimum level not at a maximum level in 2015 it was

87.27 and it has decreasing trends from 2016 to 2018. Then it increase to 85.43 in the year 2019. So the company has to reduce the expenses.

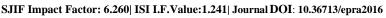
- 7. The return on capital employed in 2015 it was 1.05 and it has increasing in 2016 was 1.16. Then it decreasing trends from 2017 to 2019. It shows the return capital employed decreased so company has to maintain the capital employed in future growth.
- 8. The return on total assets the level of return on assets in 2015 it was 4.27 and it shows decreasing trends from the year 2016 (3.95) to 2019 (2.67). this shows that the company has not utilized the assets to generate earnings.
- **9.** The assets turnover ratio in 2015 it was 4.22 and it has increasing. Then it shows decreasing trends from 2016, 2017, 2018 and 2019 it was 3.90, 2.82, 2.74 and 2.62.
- 10. The proprietary ratio in 2015 it was 2.06 and it has increasing. Then it increasing trends from 2016 to 2019. It shows that proprietary ratio was slightly increasing in the year 2015 upto 2019.

CHANGES IN WORKING CAPITAL

The above table indicates that working capital is negative. This indicates that the current liabilities are more that the current assets in the year 2015 to 2016.

The above table shows working capital is negative. This indicates the current liabilities are more that the current assets in the year 2016 to 2017.

The performance of working capital is negatives. This indicates that the current liabilities are more that the current assets in the year 2017 to 2018.



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EPRA International Journal of Research and Development (IJRD)

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The above table indicates that working capital. This indicates that the current liabilities more that the current assets in year 2018. Then current assets is more that the current liabilities in year 2019.

SUGGESTIONS

The performance of Hero Moto Corp Limited during the period of study was good for the first four year of study. In fact, efficient in maintaining the financial capabilities to support all its expansions and diversification programs. The suggestions given to the company was as follows.

The company has take right strategy to improve the net profit in the coming years.

The company should maintain the liquid assets in order to improve its liquidity position future. And also necessary steps should be taken to increase the earning capacity of the company.

They should increase its short – term liquidity of the company, its helps to meet the pay off the current dues.

CONCLUSION

The financial performance of the company is better. Hero MotoCorp Limited is one among those successful companies. Hence, the researcher has made an attempt to analyze the performance of Hero MotoCorp Limited. In general, Hero MotoCorp Limited has showed very good performance, in the first four years. But the researcher has also found many shortfalls, after a careful analysis, researcher has offered many valuable suggestions to the company and which would be very useful to them.

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