

**A STUDY OF FINANCIAL PERFORMANCE ON  
AUTOMOBILE INDUSTRY WITH SPECIAL HERO  
MOTOCROP LIMITED**

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## **Abstract:**

The goal of this project is to utilize financial tools to analyse the company's profitability and liquidity. Financial statements, including ratio analyses and comparative balance sheets, serve as the foundation for this investigation. By combining these instruments, we can effectively determine the company's financial standing. This study aims to evaluate the organization's financial health, operational performance, and growth. It highlights how ratio analysis can enhance long-term planning, budgeting, and asset management, ultimately improving financial performance and preventing monetary issues.

## **Introduction:**

Every firm needs to be aware of its financial situation, which is the state of its financial health. The state of an organization's assets, liabilities, and owner equity, as well as how they relate to one another, is shown in its financial statement.

Based in India, Hero MotoCorp Ltd. (formerly Hero Honda Motors Ltd.) is the biggest two-wheeler manufacturer in the world. The company was able to secure the prestigious title of "World No. 1" two-wheeler company in 2001, based on unit volume sales in a calendar year, and was the largest two-wheeler manufacturing company in India. Hero MotoCorp Ltd. still has this position as of right now.

## **OBJECTIVES OF THE STUDY:**

- To assess the liquidity position of Hero MotoCorp Ltd
- To analyse profitability metrics of Hero MotoCorp Ltd
- To evaluate operational efficiency of Hero MotoCorp Ltd
- To examine investment utilization of Hero MotoCorp Ltd
- To identify financial trends of Hero MotoCorp Ltd
- To provide strategic recommendations of Hero MotoCorp Ltd.

## **STATEMENT OF THE PROBLEM:**

cost history serves the foundation for most statements. Future projections cannot be made through ratio analysis alone. Historical data is presented; however, due to the study's brief duration, a thorough analysis was not feasible.

## **REVIEW OF LITRATURE:**

**1.Ravichandran, M. & Subramaniam M Venkata (2016)** This study's primary goal is to evaluate Force Motors Limited's viability, stability, and profitability. A company's operating status can be evaluated using a variety of financial instruments, including graphs, comparative statements, profitability ratios, and solvency ratios. According to our analysis, the corporation has adequate cash on hand to pay down its debts and liabilities. The company can further

enhance its financial performance by cutting costs associated with operations, sales, and administration.

**2. Moses Joshua Daniel (2016)** The primary goals of his study, "A Study on the Financial Status of TATA Motors Ltd." were to use a variety of financial methods to analyze TATA Motors Ltd.'s overall financial status. Various accounting measures have been employed to examine the financial situation in terms of profitability, solvency, activity, and financial stability. The analysis concludes 37 the financial performance of the company is excellent. The business is expanding steadily and is more well-known across all of its business sectors. It has been recommended that the corporation cut back on its annual expenditures. Profitability will rise as expenses decline.

**3. Agarwal, Nidhi (2015)** The study compares Tata Motors Ltd.'s with Maruti Suzuki's financial results. The numerous annual reports of firms provide the financial data and information needed for the study. Both firms have had their analyses of leverage and liquidity completed. Four ratios are taken into consideration in order to examine the leverage position: capital gearing, debt-equity, total debt, and proprietary ratio. The outcome indicates that in order to strengthen its long-term solvency position, Tata Motors Ltd. needs to invest a larger percentage of its owner's funds in the company.

### **RESEARCH METHODOLOGY:**

The research technique in finance entails a systematic approach to the collection and analysis of data in order to answer specific research questions or test hypotheses. The present study employs several standard research approaches in the field of finance.

### **ANALYSIS AND INTERPRETATION:**

Year	Current ratio(times)	Operating profit ratio	Quick ratio	ROI	Net profit ratio
2023	1.61	11.79	1.35	0.264	8.60
2022	1.99	11.51	1.77	0.232	8.45
2021	1.79	13.04	1.55	0.282	9.62
2020	2.08	13.72	1.81	0.442	12.59
2019	1.96	14.65	1.71	0.567	10.05

### **FINDINGS:**

#### **Current Ratio Findings:**

The current ratio for Hero MotoCorp Ltd. has shown a fluctuating trend over the past five years, decreasing from 2.08 in 2020 to 1.61 in 2023. Although this ratio is still above the standard benchmark of 2:1, the decline suggests potential challenges in managing current liabilities

effectively. The increase in current assets has contributed positively to the current ratio; however, the company must focus on improving its liquidity position to ensure it can meet short-term obligations without financial strain. This trend indicates that while liquidity remains adequate, there is room for improvement in asset management practices.

#### **Quick Ratio Findings:**

The quick ratio for Hero MotoCorp Ltd. has decreased from 1.81 in 2020 to 1.35 in 2023, indicating a decline in the company's ability to cover its short-term liabilities without relying on inventory sales. This downward trend raises concerns about liquidity and suggests that the company may face challenges in meeting immediate financial obligations if necessary. A quick ratio below 1 is generally considered a warning sign, and Hero MotoCorp's current level indicates that it should enhance its cash reserves or streamline inventory management to improve its liquidity position.

#### **Operating Profit Ratio Findings:**

Hero MotoCorp's operating profit ratio has decreased from 14.65% in 2019 to 11.79% in 2023, reflecting a decline in operational efficiency and profitability over time. This mixed trend suggests that while the company has maintained profitability, it faces challenges related to rising operational costs or inefficiencies that need addressing. The decrease indicates that the company must implement better cost control measures and operational strategies to enhance profitability and stabilize this critical financial metric moving forward.

#### **Return on Investment (ROI) Findings:**

The return on investment (ROI) for Hero MotoCorp Ltd. has shown a declining trend from 0.567 in 2019 to 0.264 in 2023, indicating that the company is not utilizing its investments as effectively as before to generate profits. This significant decrease raises concerns about capital efficiency and suggests that management should focus on optimizing resource allocation and enhancing operational performance to improve ROI. Addressing this issue is crucial for ensuring sustainable growth and maximizing shareholder value.

#### **Net Profit Ratio Findings:**

The net profit ratio for Hero MotoCorp Ltd. has shown slight improvement from 8.45% in 2022 to 8.60% in 2023, indicating a marginal increase in profitability relative to total revenue. While this improvement is positive, it remains lower than historical levels, highlighting the need for the company to strengthen its profitability position overall. The slight increase suggests that while some operational efficiencies may have been achieved, further efforts are required to enhance revenue generation and cost management strategies for improved financial performance in future periods.

### **Proprietary Ratio Findings:**

The proprietary ratio for Hero MotoCorp Ltd. has shown an upward trend until March 2020 but has since declined year over year, suggesting that total assets are increasingly funded by shareholders' equity. This trend indicates a lower risk scenario as it reflects financial stability; however, the decreasing proprietary ratio may also signal reliance on external financing sources over time. To maintain a healthy balance between equity and debt financing, the company should consider strategies to enhance shareholder equity while managing its capital structure effectively for long-term sustainability.

### **SUGGESTION:**

To modernize the suggestions provided in the research paper on Hero MotoCorp Ltd.'s financial performance, consider the following updates:

**Enhance Data Visualization:** Utilize advanced data visualization tools such as Tableau or Power BI to present financial ratios and trends clearly and interactively. Graphs and dashboards can make complex data more accessible and engaging for stakeholders.

**Incorporate Real-time Analytics:** Implement real-time financial analytics to monitor key performance indicators (KPIs) continuously. This approach allows for timely decision-making and can help identify issues before they escalate.

**Focus on Digital Financial Tools:** Leverage digital financial management tools and software that facilitate better cash flow management, budgeting, and forecasting. These tools can help optimize working capital and improve overall financial health.

**Benchmarking Against Industry Peers:** Conduct comparative analyses with industry peers using up-to-date market data to provide context for Hero MotoCorp's performance. This benchmarking can highlight strengths and weaknesses relative to competitors.

**Sustainability Metrics:** Integrate sustainability metrics into the financial analysis to align with global trends towards corporate responsibility. Assessing environmental, social, and governance (ESG) factors can attract investors and enhance brand reputation.

**Stakeholder Engagement:** Foster greater engagement with stakeholders through regular updates on financial performance and strategic initiatives. Utilizing social media platforms and corporate websites can enhance transparency and build trust.

**Future-Proofing Strategies:** Develop strategies that address potential economic fluctuations, such as diversifying product lines or exploring new markets. This proactive approach can mitigate risks associated with market volatility.

## CONCLUSION:

**Financial Performance Assessment:** The study effectively analyzes Hero MotoCorp Ltd.'s financial performance, focusing on liquidity and profitability through various financial ratios.

**Current Ratio Improvement:** The current ratio has shown improvement, indicating better management of current liabilities and assets, although it remains below the ideal benchmark of 2:1.

**Quick Ratio Stability:** The quick ratio has been relatively stable, suggesting the company maintains a solid liquidity position without relying heavily on inventory.

**Operating Profit Fluctuations:** The operating profit ratio has experienced fluctuations, indicating inconsistent operational efficiency and the need for cost control measures.

**Declining ROI:** A slight decline in return on investment suggests that capital is not being utilized effectively, highlighting an area for improvement in resource allocation.

**Proprietary Ratio Trends:** The proprietary ratio indicates a reliance on shareholder equity for funding total assets, presenting a less risky financial scenario.

**Recommendations for Improvement:** To enhance financial health, the company should focus on increasing current assets, improving cash flow management, and strengthening profitability.

**Future Financial Preparedness:** Overall, better management of reserves and strategic planning are essential for Hero MotoCorp to navigate potential financial challenges and sustain growth.

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