

RESEARCH PROJECT

**AN ANALYSIS OF FINANCIAL PERFORMANCE AND TRENDS IN THE
INDIAN AUTOMOBILE INDUSTRY.**

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DECLARATION

I undersigned **Ms Dinkal P. Bhadiyadra** at this moment, declare that the work embodied in this project work titled, “An Analysis of Financial Performance and Trends in the Indian Automobile Industry.” forms my contribution to the research work carried out under the guidance of “ASSISTANT PROFESSOR Ms KHUSHALI OZA” and our head Mr Harin has not been previously submitted to any other University for any other Degree/Diploma to this or any other University. Wherever reference has been made to previous works of others, it has been indicated as such and included in the bibliography.

I, here further declare that all information in this document has been obtained and presented under academic rules and ethical conduct.

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Certified by,

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SIGN

DATE:

PLACE

ABSTRACT

Finance is regarded as the lifeblood of every business enterprise. No business, either big, medium or small can be started without an adequate amount of finance. Financial analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of the balance sheet and the profit and loss account. It also helps in short-term and long-term forecasting and growth can be identified with the help of financial analysis. This study is based on the “Financial analysis of HERO MOTO CORP LTD”.

The process of identifying of financial strengths and weaknesses of the company by establishing the relationship between the items of the balance sheet and the profit and loss account is referred to as financial performance analysis. Analysing financial performance has its importance in internal and external aspects. In this study, we have analysed the financial performance of Hero MotoCorp. Limited (formerly known as Hero Honda) is an Indian multinational scooter and motorcycle manufacturer by applies trend analysis and profitability ratios. The analysis was performed for five years based on the secondary data obtained from the annual report of the company. It was found that the sales trends, working capital trends and cash flow ratios are fluctuating and suggested the company improve the ratios by maintaining the stability of cash flow regulating cash flow evenly throughout and trying to improve sales to achieve maximum profitability at a minimum cost.

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CHAPTER- 1

Overview of the company

Hero Motors Company (HMC)

Hero Motors Company (HMC) is a multinational business conglomerate based in India and is controlled by Pankaj M Munjal. The HMC family includes various organisations such as Hero Cycles, Avocet Sports (UK), BSH (Sri Lanka), Firefox, Spur, HGD, Hero Motors, Munjal Hospitality, Munjal Kiri, ZF Hero, and OMA. It is a Delhi-based former moped and scooter manufacturer and is now a part of Hero Motors Company. This multinational corporation also owns Hero Moto-Corp (formerly Hero Honda) and Hero Cycles.

Due to tightening emission regulations and poor sales, Hero Motors has transferred the manufacture of all gasoline-powered vehicles to Hero Moto-Corp and transformed itself into an electric two-wheeler and auto parts manufacturer.

Hero MotoCorp Limited was incorporated on January 19th, 1984 under the name Hero Honda Motors Ltd. The Company was established as a Joint Venture Company between Honda Motor Company of Japan and Hero Group. In the year 1983, they signed a Joint Collaboration Agreement and formed the Company.

Brands: Hero Motors (also known as Hero Motors' Gear & Transmissions) – produces gearboxes, ATV-sub transmissions, primary drive assemblies for motorcycles, transmission gear assemblies for motorcycles, balance shaft assemblies for marine and snowmobile engines, and starter gear and oil pump gear assemblies for the automotive industry.

Hero MotoCorp – New Delhi-based motorcycle, ATV, moped and scooter manufacturer.

Hero Cycles – The Largest manufacturer of bicycles in India. In addition to Hero branded bicycles, Hero also produces the following "premium brands": Hero Sprint (mountain bikes), Octane (mountain bikes), Disney (children's bikes), Miss India (women's bikes), UT and Firefox bikes

1st Two-Wheeler Manufacturer in the World- We are empowering millions around the globe through our portfolio of innovative and sustainable products. Powered by technology-driven excellence, we are shaping the future of mobility.

Every business concern wants to know the various financial aspects for effective decision-making. The term 'financial analysis' is also known as the analysis and interpretation of financial statements. Financial analysis is the process of identifying the financial strengths and weaknesses of the firm, by properly establishing the relationships between the items contained in the balance sheet and profit and loss account.

The Indian Two-Wheeler Industry-

The Indian two-wheeler sector contributes the largest volumes among all the segments in the automobile Industry. Though the segment can be broadly categorized into 3 sub-segments viz; scooters, motorcycles and mopeds; some categories introduced in the market are a combination of two or more segments e.g. scooters and stepthru's. The market primarily comprises five players in the two-wheeler segment with most of the companies having foreign collaborations with well-known Japanese firms earlier. But with most of the companies now planning 100% subsidiaries in India.

In the last four to five years, the two-wheeler market has witnessed a marked shift towards motorcycles at the expense of scooters. In rural areas, consumers have come to prefer sturdier bikes to withstand bad road conditions. In the process the share of the motorcycle segment has grown from 48% to 58%, the share of scooters declined drastically from 33% to 25%, while that of mopeds declined by 2% from 19% to 17% during the year 2009-10. All new vehicles are now being replaced by 4 stock motorcycles. Reduced excise duties and fierce competition have led to a fall in the prices of certain models.

Hero, a name synonymous with two-wheelers in India, began its journey around four decades ago. Starting as a manufacturer of by-cycle components, the Hero has today grown into a multi-unit, multi-product, geographically diversified group of companies.

The hero group began with a simple philosophy: to provide excellent transportation to the common man, at a price he could easily afford. Even today the dream of providing total satisfaction is all its sphere of activity. To consumers, excellent products at an affordable price; a thorough understanding of the fast-changing consumer understanding the fast-changing consumer behaviour, new market segments and opportunities, and a marketing mix sensitive to changing customer needs from the core of Hero's marketing strategy and philosophy.

Hero Moto Corp. is one of the leading companies in the two-wheeler Industry. At present, it is segmented with around 47% of the market share during the financial year. 2000-01. The company has as emerged one of the most successful players, much ahead of its competitors by its superior and reliable product quality complemented by excellent marketing techniques.

Hero Moto Corp has been an early entrant in the 4-stroke segment of the two-wheeler industry. With the right mix of product styling and pricing, the company has grabbed the 4-stroke market as compared to Bajaj Auto and TVS.

CHAPTER 2

Overview of the research title

“ANALYSIS OF FINANCIAL PERFORMANCE AND TRENDS IN THE INDIAN AUTOMOBILE INDUSTRY.”

India is the world's third-largest automobile market, the largest manufacturer of passenger vehicles and tractors, and the second-largest manufacturer of two-wheelers.

The Indian automobile industry is one of the largest in the world, with a wide range of vehicles being manufactured and sold in the country. The industry includes manufacturers of cars, motorcycles, commercial vehicles, and electric vehicles.

The industry has seen significant growth over the past few decades, driven by factors such as rising disposable incomes, urbanisation, and government initiatives to promote manufacturing in the country. India is now one of the largest markets for automobiles globally, with both domestic and international manufacturers operating in the country. Meeting increasing demand, thanks to his investment in automation. by implementing new equipment, and software, In the first quarter of 2023-24, the total production of passenger vehicles, commercial vehicles, three-wheelers, two-wheelers, and quadricycles was 6.01 million units.

Hero Moto Corp the Principal activities of the Company are manufacturing and marketing of motorcycles and spare parts. The Company is a joint venture between Hero Group, India. The Motorcycles of the Company features facilities such as four-stroke technology, phenomenal fuel economy and low exhaust pollution levels. The major brands of the Company include Splendor, Joy and Passion.

The two manufacturing facilities of the Company are located in Haryana. Motorcycles accounted for 95% of fiscal 2009 gross revenues and spare parts, 5%. Grows over 500% in five years For 2010-11, volume was up by 38 per cents; net profit soared by 88 per cent; total turnover was up by 42 per cent Achieves a high 48 per cent motorcycle market share; and 33 per cent two-wheeler market share Announces 350 per cent final dividend and 250 per cent celebration dividend (over and above special interim dividend of 250%) Over the last five years, the company's total turnover has grown by a whopping 580% PAT by 919% New Delhi, April 13, 2011: Hero Moto Corp Co., the newly crowned World No. 1 two-wheeler companies, declared outstanding financial results for the year 2010-11.

Profit after tax (PAT) is Rs. 462.93 crores, a growth of 88 per cent. The company's total turnover (sales plus other income, net of excise) grew to Rs. 4539.49 crore, a growth of 42 per cent. In a landmark run, the company achieved a 48 per cent market share in the motorcycle category during the era of Hero Motors.

BUSINESS PROCESS OF AUTOMOBILE INDUSTRY

The Indian two-wheeler industry has tremendous market potential. With the growth of population and change in their pattern of lifestyle as a result of urbanization, there has been a rapid increase in the demand for Indian two-wheelers. The three main product segments in the two-wheeler category are scooters, motorcycles and mopeds. However, the response to evolving demographics and various other factors, other sub-segments have emerged, namely, scooterettes, gearless scooters and four-stroke scooters.

While the first two emerged as a response to demographic changes, the introduction of four-stroke scooters followed the imposition of stringent pollution control norms in early 2000. Besides these prominent sub-segments, product groups within these sub-segments have gained importance in recent years such as 125cc motorcycles, 100-125cc, and gearless scooters with the two-wheeler market, especially the motorcycle market has become extremely competitive and the lifecycle of products getting shorter, the ability to offer new models to meet fast-changing customer preferences has become imperative. They have also concentrated on three main areas: fuel economy, environment compliance and performance. The Indian automobile industry consists of four segments: passenger vehicles, commercial vehicles, three-wheelers and two-wheelers. In the automobile industry, the two-wheeler segment possesses a high domestic market share.

India enjoys a strong position in the global heavy vehicles market as it is the largest tractor producer, second-largest bus manufacturer, and third-largest heavy truck manufacturer in the world. India's annual production of automobiles in FY22 was 22.93 million vehicles. India has a strong market in terms of domestic demand and exports. In November 2023, total passenger vehicle sales reached 3,34,130*. Sales of Passenger Vehicles in November 2023 have been the highest, with a marginal growth of 3.7%, compared to November 2022. In FY23, total automobile exports from India stood at 47,61,487. This sector's share of the national GDP increased from 2.77% in 1992-1993 to around 7.1% presently. It employs about 19 million people directly and indirectly.

- **What are the key financial indicators used to measure the performance of the Indian automobile industry?**

The financial health of any industry can be measured using certain key indicators, such as ratio analysis. In a study conducted over five years from 2012 to 2016, the financial performance of major selected automobile companies in India was measured using ratio analysis.

This study aimed to compare the financial statements of leading automobile companies and determine their relative financial performance.

By analysing key financial ratios, such as liquidity ratios, profitability ratios, and debt ratios, the performance of the Indian automobile industry can be assessed. These ratios provide insight into the industry's ability to meet short-term and long-term obligations, generate profits, and manage debt. Additionally, other factors such as sales growth, market share, and return on investment can also be used to evaluate the performance of the Indian automobile industry. By analysing these financial indicators, investors and stakeholders can make informed decisions about investing in the Indian automobile industry.

- **How has the revenue trend of the Indian automobile industry been over the past decade?**

The Indian automobile industry has been on a growth trajectory over the last decade. According to the Automobile Mission Plan 2016-2026, the Indian automobile market is projected to be the fourth largest in the world. The Compound Annual Growth Rate (CAGR) of the Indian automotive industry's sales between the financial year 2009 and 2020 stood at around 8%. A comparative study of Maruti Suzuki and Tata Motors reveals that the financial performance of Indian automobile companies after liberalization has been positive. Researchers have analysed the growth and financial performance of selected automobile companies in India by studying trends in their financial statements over five years from 2012-2016. The objectives of the study were to analyse the profitability and solvency position of select automobile companies in India using ratio analysis.

The results of the study indicate that the select automobile companies analysed showed a positive trend in their financial performance during the period analysed. In addition, India's automobile industry includes the manufacture of trucks, buses, passenger cars, defence vehicles, two-wheelers, etc., and can be broadly divided into commercial and non-commercial vehicle segments. Finally, to further understand the financial performance of the Indian automobile industry, data for the period of five years from 2011 to 2015 of 25 Indian automobile companies. The results indicate that these companies have shown significant growth over the years.

CHAPTER 3

REVIEW OF LITERATURE

Introduction

The review of literature is an important stage in any research project, and because studies in 'Management Science' are related to multiple aspects of a business, the review of literature assists in exploring these dimensions. Furthermore, a thorough review of the literature assists the researcher in exploring key concepts and trends in previous and current research on the subject, and clarifies the scope of the chosen study. It also helps to keep current research work on track and to understand the research gaps in the current study area.

In this chapter, the researcher attempted to examine new trends and practises in the field of automobile industries and their studies to identify the research gap and formulate the research financial performance in the context of 'A Financial Performance on Automobile Industry '. Because FDI is a topic of international interest, there is a wealth of literature available in this field; thus, the current chapter has compiled a sectional review of literature, including reviews of books, theses, international reports, and key journal articles. Above all, the reviewed literature aided in the development of the research question, objectives, hypotheses, questionnaire design, and survey planning, all of which streamlined the overall research process of the current study.

LITERATURE REVIEW

M P Singh: Time management has probably become the most important aspect in the 21st century, with the automobile sector being no exception. The intricacies related to scheduled maintenance of vehicles have not made the job of providing the best service any easier. The behavioural aspects associated with the overall process also provide numerous challenges. Furthermore, the lack of adequate knowledge and the unavailability of specific literature was the main precursor of this study. This review was carried out to assess the past research efforts and their validity for possible application and formulation of novel approaches for sustainable growth of service quality in the industry in general and the automobile sector in particular. The literature was reviewed by following the standard methods of content analysis and the results are presented under appropriate subsections.

Impact of Growth of Automobile Industry on Air Pollution in India.

Dr Bipin Namdev Bandekar: The average growth rate of India's GDP was between 2.5 to 3 % from 1947 to 1991. It was due to the protectionism policy of Govt. of India. The Liberalization policy of 1991 boosted the industrial sector including the automobile industry and India's average growth rate reached to the level of 6 to 8 %.

In 2019, India was the seventh-largest manufacturer of commercial vehicles. Today, India is the world's fifth largest automobile market in terms of sales, after Germany, selling about 3.49 million units in passenger and commercial categories and a total of 26.28 million units. India has the largest and fastest-growing automobile industry with a turnover of 120 billion US \$ which is more than 4 % of India's GDP. Employment-wise, more than 1.7 million people are employed in the auto sector. The automobile industry also contributes a large extent towards the growth of the Indian economy.

On the other hand, a rise in the number of vehicles leads to an increase in air pollution, which creates environmental problems. Air pollution causes many health issues especially related to respiration. The study is based on secondary data collected from multiple sources. The data on the automobile industry in India is collected from the Society of Indian Automobile Manufacturers and the data on air pollution levels is collected from the International Energy Agency. The period of the study is from 2006 to 2020. The graphical presentation explains the growth of the automobile industry in India.

Mohit Agarwal: Descriptive statistics and a Linear Correlation Matrix are used to test the relation between the growth of the automobile industry and air pollution levels. The regression technique is used to test the impact of automobile industry growth on air pollution. The empirical analysis inferred that the highest production of all vehicles together was 309.1 lakh in 2019, the highest sales were 262.66 lakh in 2019, and the record export was 47.66 lakh in 2020. It is also confirmed that the two-wheeler segment contributes to a majority of production, sales and export. The growth of the automobile industry is restricted in 2019- 20, which may be due to the COVID-19 pandemic. India's maximum air pollution is from the Electricity and Heat Producers sector 51.13 % and 3 % from the other energy industry. Air pollution level shows an increasing trend every year. The Regression OLS model confirmed that the sales of automobile vehicles have a significant impact on air pollution in India.

Home and Wachowicz (2000) Working capital is an important tool for growth and profitability for corporations. If the levels of working capital are not enough, it could lead to shortages and problems with the day-to-day operations.

Lazard and Tryfonidis (2006) investigated the relationship between corporate profitability and working capital management for firms listed on the Athens Stock Exchange. They reported that there is a statistically significant relationship between profitability measured by gross operating profit And the Cash Conversion Cycle. Furthermore, Managers can create profit by correctly handling the individual components of working capital to an optimal level.

Shah and Sana (2006) used Avery's small sample of 7 oil and gas sector firms to investigate this relationship for the period 2001-2005. The results suggested that managers can generate positive returns for the shareholders by effectively managing working capital.

Ganesan (2007) selected the telecommunication equipment industry to study the effectiveness of working capital management. The sample included for his research paper included 443 annual financial statements of 349 telecommunication equipment companies covering the period 2001 to 2007. The statistical tests used included correlation, regression analyses and Analysis of variance (ANOVA). The results showed those days of the working capital negatively affected the profitability of these firms but in reality, it did not affect the transportability of firms in the telecommunication equipment industry.

Sen. M (2009) examined the ISE (Istanbul Stock Exchange) listed firms and checked out the relationship with the working capital. According to them, there is a negative 23 relationship among variables. His research uncovered the importance of the finance directors who act as moderators or catalysts to increase the productivity of the firm in other words they positively affect the firm's performance.

Pre- and post-privatization financial and operating performance of 85 companies from 28 industrialized countries that were privatized through public share offerings for the period from 1990 through 1996. The significant increases in profitability, output, operating efficiency, dividend payments and significant decreases in leverage ratios for the full sample of firms after privatization were noticed. Capital expenditures increase significantly in absolute terms, but not relative to sales. Employment declines, but insignificantly. The findings of the study strongly suggest that privatization yields significant performance improvements.

Rupa Rege Nitsure and Mathew Joseph (1999) in their study entitled, "Liberalisation and the Behaviour of Indian Industry (A Corporate Sector Analysis based on Capacity Utilisation) examined the impact of economic reform on productive capacity creation and utilisation across various Motors in the nineties. The results suggest that although substantial achievements occurred initially in the creation and utilization of capacities in the various Motors, there is significant room for further improvement in utilization. It analysed the determinants of capacity use such as credit flows, import liberalization, fiscal consolidation and demand conditions, using pane data for 802 firms for the period 1993-98 to suggest an optimum combination of policies that is critical for realizing the unused capacity.

Rajeswari (2000) studied the Liquidity Management of Tamil Nadu Cement Corporation Ltd. Alangulam-A Case Study. It can be concluded from the analysis, that the liquidity position of TANCEM is not stable. Regarding liquidity ratios, there was too much liquidity in the first two years of the study period. A very high degree of liquidity is also bad as idle assets earn nothing and affect profitability. It can be concluded that the liquidity management of TANCEM is poor and is not satisfactory.

Dabasish Sur, Joydeep Biswas and Prasenjit Ganguly (2001) studied Liquidity Management in Indian Private Sector Enterprises A case study of the Indian Primary Aluminium industry. From the analysis, it may be summarized that the

overall performance regarding liquidity management at INDAL was better in terms of efficient utilization of short-term funds, whereas HINDALCO was unable to do so. A very high degree of positive correlation between liquidity and profitability in the case of both companies was a notable feature, reflecting the favourable effect of liquidity on profitability.

Aggarwal and Singla (2001) in their study developed a single index of financial performance through the technique of Multiple Discriminant Analysis (MDA). They attempted to identify from among the 11 ratios, used as inputs, those ratios, that are relevant in distinguishing between profit-making units and loss-making units in Indian paper industry. The study indicates that the model has correctly classified 82.14 per cent of units selected as profit-making and loss-marking. The study also shows that inventory turnover ratio, interest coverage ratio, net profit to total assets and earnings per share are the most important financial performance indicators. The study also suggests that the results of MDA can be used as a predictor of future profitability/sickness.

Joanne Loundes (2001) in the study, "The Financial Performance of Australian Government Trading Enterprises Pre-and Post-Reform" revealed that during the 1990s there were several measures introduced to improve the efficiency and financial performance of government trading enterprises in Australia. The purpose of this study was to discover whether there had been any change in the financial performance of government trading enterprises operating in electricity, gas, water, railways and ports Motors as a result of these changes. The study reveals that it does not appear to have been a noticeable enhancement in the financial performance of most of this business, although railways have improved slightly, from a low base.

Mark Rogers (2001) in his research on the effect of diversification on firm performance analyses the association between diversification and firm performance in a sample of up to 1449 large Australian firms (1994 to 1997). Firm performance is measured by profitability and, for quoted firms, market value. Results from the full sample show that more focused firms have higher profitability. This result controls for firm-specific effects and other determinants of profitability. However, this association is not found in sub-sample regressions for listed firms. This is true when either profitability or market value is used as a performance measure. The results may indicate that listed firms may be under closer scrutiny and competitive pressures that ensure, on average, that these firms are at their optimal degree of diversification.

Mansur A. Mulla (2002) in the use of "Z" score analysis for evaluation of financial health of textile mills - A case study" has made an insight into the financial health of Shri Venkatesh Co-operative Textile Mills Ltd., Arunageri of Dharwad District. The „Z" score analysis has been applied to evaluate the general trend in the financial health of a firm over a period by using many accounting ratios. From the study, it was concluded that the textile mill under study was just on the verge of financial collapse. On the one hand, current assets declined because of the negative

profitability performance, whereas on the other hand, the current liabilities were on the increase because of the poor liquidity performance of the mill.

Sudarsana Reddy (2003) studied the Financial Performance of the Paper industry in AP. The main objectives set for the study are to evaluate the financing methods and practices to analyse the investment pattern and utilisation of fixed assets, to ascertain the working capital condition, to review the profitability performance and to suggest measures to improve the profitability. The data collected have been examined through ratios, trends, common size, comparative financial statement analysis and statistical tests have been applied in appropriate context. The main findings of the study are that the A.P. paper industry needs the introduction of additional funds along with restructuring of finances and modernization of technology for better operating performance.

RBI Corporate Studies Division (2003) has attempted to study the performance of the corporate business sector during the first half of 2002-2003. The results of 146 private companies of various sectors were analysed on the various parameters of performance. Aggregation and comparison of the results of the first two quarters were done on these performance parameters. It was concluded that the performance of the private sector was better when compared with the first half of the previous year.

S. K. Srivastava (2007) 34 in his study Role of Organizational Management and Managerial Effectiveness in promoting performance and production. Management is a universal Phenomenon. It is present in virtually all walks of life. Management is not confined merely to a factory or an office. Skilful management is needed in clubs, families, Schools, Sports, teams and social functions like marriages, picnic parties and so on—lack of proper management invariable results in chaos, and wastage of time, money and effort. Although management is needed in various activities, it is special.

Chandrasekaran (1993) 42 in "Determinants of profitability in Cement Industry" has studied the determinants of profitability in cement industry. The objective of this study was to examine determinants of profitability in the cement industry. The study aims to draw inferences on the impact of policy measures that led to changes in price and distribution policies relevant to the cement industry. Determinants of profitability are analysed using the technique of ordinary least squares. Based on existing theories and relevant econometric empirical works, variables are selected. The study concluded that efficiency in inventory management and efficient management of current assets were important to improve profitability.

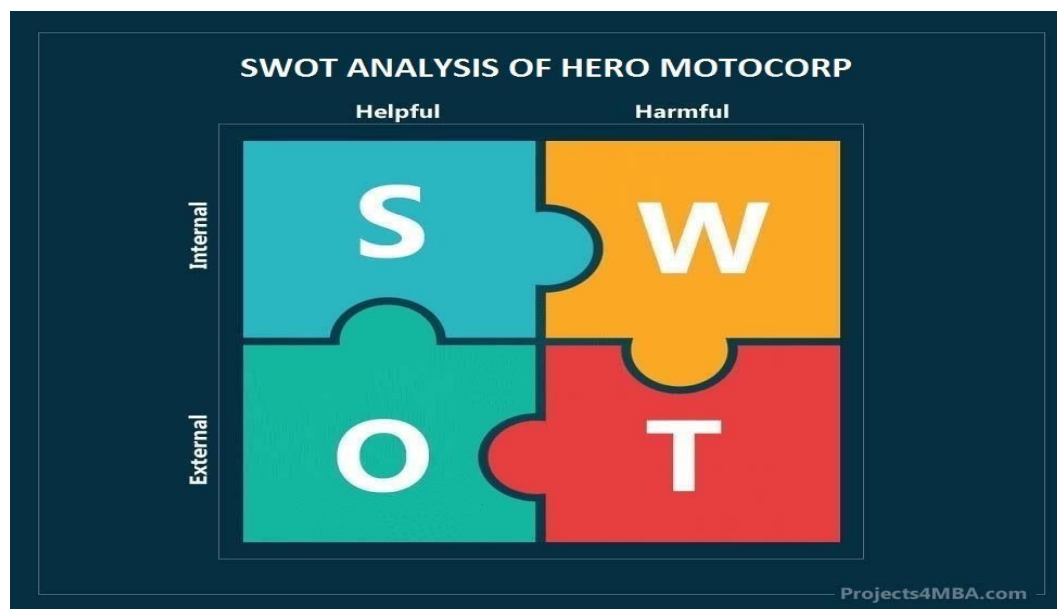
SWOT ANALYSIS OF HERO MOTO CORP

SWOT Analysis of Hero MotoCorp focuses on Strengths, weaknesses, opportunities, and threats. Strength and Weakness are the internal factors and Opportunities and Threats are the external factors that influence the SWOT Analysis of Hero MotoCorp.

Strengths are defined as the best thing every company does in its range of activities that can give it a hold on its competitors. Weaknesses are used in areas in which improvement of the business or brand is necessary. Opportunities are the environmental avenues around the enterprise that can be used to increase its income. Threats are environmental factors that can adversely affect business growth.

Hero MotoCorp Ltd., formerly known as Hero Honda, is an Indian manufacturer of scooters and motorbikes. The company's headquarters are in New Delhi, India. Hero MotoCorp is now the world's biggest maker of two-wheelers. It has a 46 per cent market share in the two-wheeler segment. Hero Moto Corp has recently launched Hero Electric two-wheelers. These vehicles are launched due to increasing fuel prices. People are showing great interest in these electric vehicles.

Hero Moto Corp has a production capacity of 7587130 units with an operating income of 530 million dollars and total assets of US 2.5 billion dollars.



Strength in the SWOT Analysis of Hero MotoCorp – Hero MotoCorp SWOT Analysis

The aspects of a businessman's strengths that assist it in expanding further and maintaining its dominant position above all. Hero MotoCorp's strengths are as follows:

- **Brand Equity:** Hero MotoCorp has a lot of brand equity, which is one of its main assets. This corporation is one of the most important companies in the two-wheeler sector. A company can only flourish if its brand name is well-known. Hero MotoCorp is one of the firms that can compete on the popularity front.
- **Strong Distribution Network:** Hero MotoCorp has more than 3000 dealerships and service facilities, making it the market leader.
- **Wide Range of Products:** The more products a firm successfully launches, the more popular it gets. As a result, Hero Moto-corp is the market's true hero. Hero Moto Corp has recently launched Hero Electric two-wheelers. These vehicles are launched due to increasing fuel prices. People are showing great interest in these electric vehicles.
- **Recognitions and Awards:** When a brand is recognized with prizes and awards, customers may put their trust in it. Hero Moto-Corp has garnered several awards throughout the years.
- **Sponsoring Events:** Sports and racing events contribute sponsorships to the firm, which has made it the most popular of all its rivals.
- **Superb Performance in New Markets:** Hero Moto-Corp has built expertise in entering new markets and making a success of them. The expansion has helped the organization to build a new revenue stream and diversify the economic cycle risk in the markets it operates.
- **Mergers and Acquisition:** Successful track record of integrating complimentary firms through mergers & acquisitions. It has successfully integrated several companies in the past few years to streamline its operations and expand its footprint & business.
- **Strong Brand Portfolio:** Over the years Hero MotoCorp has invested in building a strong brand portfolio. The SWOT analysis of Hero MotoCorp just underlines this fact. This brand portfolio can be extremely useful if the organisation wants to expand into new product categories.

- **Good Returns on Capital Expenditure:** Hero MotoCorp is relatively successful at the execution of new projects and generated good returns on capital expenditure by building new revenue streams.
- **Skilled Workforce:** Highly skilled workforce through successful training and learning programs. Hero MotoCorp is investing huge resources in the training and development of its employees resulting in a workforce that is not only highly skilled but also motivated to achieve more.

Weaknesses in the SWOT Analysis of Hero MotoCorp:

Weaknesses are areas where the company has fallen behind competitors. There are opportunities to overcome these obstacles and get back on track. Hero Moto-Corp's weaknesses are as follows:

1. **Intense Competition:** Hero MotoCorp faces fierce competition from both domestic and international firms in the crowded market. This high level of competition poses challenges in maintaining market share and profitability.
2. **Lack of Innovation:** The majority of Hero MotoCorp's products exhibit similar characteristics in terms of both appearance and functionality, indicating a lack of significant innovation. This can result in difficulty in differentiating its offerings from competitors, potentially leading to stagnant growth.
3. **High Attrition Rate:** Hero MotoCorp experiences a higher attrition rate compared to its industry counterparts, necessitating increased spending on employee training and development. This can impact operational efficiency and increase recruitment costs.
4. **Investment in New Technology:** Hero MotoCorp needs to enhance its investment in new technologies to align with its expansion plans across different geographies. The current level of investment may not be sufficient to integrate processes effectively, hindering the company's ability to adapt to evolving market trends and consumer preferences.

Opportunities in the SWOT Analysis of Hero MotoCorp:

Opportunities are the areas in which the firm can defeat its rivals. The following are the areas:

1. **Diversification:** Hero MotoCorp has the opportunity to diversify its product portfolio to cater to evolving consumer needs and preferences. This could involve expanding into new segments such as electric vehicles or introducing innovative features in existing products.
2. **Emerging Markets:** Hero MotoCorp can capitalize on growth opportunities in emerging markets by expanding its presence and distribution network. This includes tapping into regions with rising disposable incomes and increasing demand for motorcycles and scooters.
3. **Strategic Partnerships:** Collaborating with technology partners or forging alliances with other industry players can enhance Hero MotoCorp's capabilities in innovation and technology adoption. This can facilitate access to new markets, expertise, and resources.
4. **Sustainable Practices:** With an increasing focus on sustainability, Hero MotoCorp can leverage opportunities in developing eco-friendly vehicles and promoting environmentally conscious practices. This aligns with consumer preferences and regulatory trends, fostering brand loyalty and market competitiveness.

Threats in the SWOT Analysis of Hero MotoCorp – Hero MotoCorp SWOT Analysis

Threats are the areas in which the firm lags behind its rivals. The following are the areas:

Intense Competition: Several other firms are fast rising and pose a significant threat to the company.

Alternative Transportation: As alternative forms of transportation have grown in popularity; the usage of two-wheelers has declined.

Government Regulations: Government regulations can also affect the production and sales of the company.

New Entrants: New Entrants can also be a major threat.

CHAPTER-4

RESEARCH METHODOLOGY OF THE STUDY

Introduction

Research methodology is a way of systematically solving the problem. Methodology is the science of studying how research is done scientifically. In other words, all these methods that the researcher used during studying his/her research are termed as methodology.

RESEARCH APPROACH AND DESIGN

Hero Moto Corp, a leading player in the automobile industry, has been focusing on various strategies to maintain its position in the market. The company has been investing in research and development to introduce new products and technologies. For instance, Hero Moto Corp has launched Euro-5 compliant Hero Moto Corp is also focusing on cost optimization and has partnered with Accenture to scale up and enhance its future-ready supply chain. Accenture will use its zero-based supply chain approach to facilitate Hero Moto Corp's cost optimization. Different versions in Turkey and new models like Splendour +XTEC and Canvas Black Edition of Super Splendour are in the Indian market.

In terms of marketing, Hero Moto Corp is focusing on its core values of trust, reliability, and innovation. The company is active on various social media platforms and has a strong brand identity. It also partners with influencers to promote its products and reach a wider audience.

However, the company faced some challenges due to supply chain disruptions, chip shortages, and rising input prices, which impacted its stock performance. The company also faced some issues due to an income tax raid, which impacted its share market.

Overall, Hero Moto Corp is focusing on various strategies to maintain its position in the automobile industry. The company is investing in research and development, technological advancement, marketing, cost optimization, and sales to achieve its goals.

Research design

The research design used in this project is the nature of the procedure, in which the researcher has to use facts or information already available and analyse these to make a critical evaluation of the performance.

Analytical Research

The study is primarily based on the internal records and the annual records of the company. Besides, information is gathered through discussions held with the officers of the company.

- **STATEMENT OF THE PROBLEM**

Finance in our present-day economy is defined as the provision of money at the time when it is required. Every enterprise whether big medium or small needs funds to carry on its day-to-day operations and to achieve its targets. Finance is so dispensable today that it is said that finance is the “Life Blood of an Enterprise”. Without finance, no enterprise can accomplish its goals and objectives.

Financial management is a managerial process that is concerned with the planning and control of financial resources. It has recently originated as a separate discipline. Proper handling of finance makes an organization profitable. In this present scenario, financial management is not only the collection of funds but also their proper utilization.

The money-related perfection makes an association effective in achieving its goals. Association conveys their budgetary data through money-related reports and explanations. By dissecting the monetary presentation, we can comprehend whether the association is under sound money-related conditions. Financial smoothness makes an organization successful in accomplishing its objectives. The organization communicates their financial information through financial reports and statements. By analyzing the financial performance, we can understand whether the organization is in sound financial condition.

ADVANTAGE INDIA

GROWING DEMAND

Rising middle-class income and a huge youth population will result in strong demand.

In November 2023, the total production of passenger vehicles", three-wheelers, two-wheelers, and quadric-cycles were 2.22 million units.

The global EV market was estimated at approximately US\$ 250 billion in 2021 and by 2028, it is projected to grow by 5 times to US\$ 1,318 billion.

Growth in Quarterly Net Profit with increasing Profit Margin

Company with Low Debt

Increasing Revenue every Quarter for the past 4 Quarters

Increasing profits every quarter for the past 2 quarters

Book Value per share has improved for the last 2 years

Company with Zero Promoter Pledge

FII/FPI or Institutions increasing their shareholding.

Strategy: Hero Moto Corp's key strategies are to build a robust product portfolio across categories, explore growth opportunities globally, continuously improve its operational efficiency, aggressively expand its reach to customers, continue to invest in brand-building activities and ensure customer and shareholder delight.

OPPORTUNITIES

India could be a leader in shared mobility by 2030, providing opportunities for electric and autonomous vehicles.

The focus is shifting to electric vehicles to reduce emissions.

By 2030, the Indian government has committed that 30% of the new vehicle sales in India will be electric.

RISING INVESTMENT

The automobile sector received a cumulative equity FDI inflow of about US\$ 35.40 billion between April 2000 - September 2023.

India is on track to become the largest EV market by 2030, with a total investment opportunity of more than US\$ 200 billion over the next 8-10 years.

Threat

- Promoter decreasing their shareholding
- Increasing Trend in Non-Core Income

- OBJECTIVE OF THE STUDY

- The project is undertaken to analyse and understand the financial statement of HERO MOTORCORP which allows using theoretical knowledge practically.
- To know how the company manages its managerial efficiency.
- To have a sound knowledge regarding various ratios and comparative statements and how they impact the organization.

- To find out the relationship between the various variables and their impact on the functioning of the organization.

- RELEVANCE & SCOPE OF THE STUDY

- The project is undertaken to analyse and understand the financial statement of HERO MOTORCORP which allows using theoretical knowledge practically.
- To know how the company manages its managerial efficiency.
- To have a sound knowledge regarding various ratios and comparative statements and how they impact the organization
- To find out the relationship between the various variables and their impact on the functioning of the organization.

- Specific Research Design

The automobile industry is a significant sector that involves the design, development, production, and sale of motor vehicles. This industry includes various vehicles, such as self-powered vehicles, domestic and commercial vehicles, passenger cars, and trucks. Malaysia is a notable player in this industry, being a major manufacturer and exporter of vehicle parts and components. In 2007, the country produced 441,678 vehicles; by 2015, the number had doubled to 614,664 vehicles (MAA, 2015).

- Mixed research

The company has achieved the industry growth rates by a huge margin. From April to December 2008 while the motorcycle industry sales were up to 38.68% TVS Motor's sales surged by a whopping 73.6% more importantly it is the success of its model Victor. Baja Auto has continued with its impressive performance witnessing significant growth in the motorcycle and three-wheeler segments. Based on the performance fill data one can expect the company to meet its excellence by FY09. Hero Moto Corp is the largest player in the motorcycle segment. Focused on

contemporary design and style, the company has a compare leonine range bikes viz;

CD-100 DX



Passion



Its splendour model is urban-centric with its fuel efficiency which accounts for over 60-70% of its sales. The passion launched in mid-Jan. 2001 has a resending success contributing to 26% of its sales.

TVS offers a wide range of two-wheeler motorcycles- Victor/Fiero/Max100/max100R/Max DL.

Scooterettes - TVS scotty, Moped- chap/ XL/ XL super/ XL supper HD/ sports.

TVS plans to launch 4 new models in the coming 15 months. A 4-stroke version of India's best-selling scooter; TVS-Scooty and a 4-stroke version of the existing moped line will be launched this year.

Motorcycle- M-80/Kawasaki RTZ/Kawasaki45 by 1993 and latest model are. Eliminator/Pulsar 180/Pulsar 150/Boxer/Caliber Crowa/Caliber Sales performance of the player:

Hero Moto Corp repeated a y-o-y growth of 6.3% in its motorcycle sales for Jan 2006 at 1,45,708 units. Exports during the month have surged almost 64% y-o-y. On a month-on-month basis, the sales growth has been even higher up 16.5%.

CD-100 SS



Splendor



In the realm of electrification, Honda aims to elevate the proportion of electric vehicle (EV) and fuel cell electric vehicle (FCEV) sales to 100% globally by 2040. To achieve this, the company plans to manufacture over 2 million EVs annually by 2030 and has forged strategic partnerships to ensure

consistent progress in electrification efforts.

In 2023, Honda unveiled its Digital Fact Book, offering a comprehensive overview of its worldwide operations, sales, manufacturing, and research and development endeavours. Emphasizing proximity to consumers, Honda operates 18 major manufacturing facilities in North America and collaborates with nearly 800 suppliers in the region. The company's environmental consciousness is evident through the introduction of new electric and hybrid vehicles, with aspirations to unveil over 10 electric motorcycle models globally by 2025. Honda is also dedicated to fortifying its business framework, focusing on five pivotal elements for mobility advancement: carbon neutrality, energy management, resource circulation, AD/ADAS (Advanced Driver-Assistance Systems), and IoT/Connected technologies. With a continuous enhancement in its earnings structure, Honda targets a return on sales (ROS) of 7% by 2026.

i Smart



CBZ



The mission is to create:

Value for our customers by manufacturing affordable new-age mobility solutions. Thus, empowering them to move ahead in their lives riding the wave of development and innovation.

Collaborate-embracing:

With co-workers and partners by drawing energy and inspiration to excel at everything, directed towards building a better world.

Inspire:

A whole new generation of social and environmental heroes by developing a worry-free ecosystem conducive to sustainable mobility. Thus, paving the way to a greener, safer and equitable future.

VALUES-

Passion: Be bold. I love what you do. Deliver your best.

Integrity: Be ethical and do the right thing, even when no one's watching.

Respect: Be confident, but humble. Appreciate and acknowledge everyone. Celebrate diversity.

Courage: Take risks and question the status quo. Dare to be different.

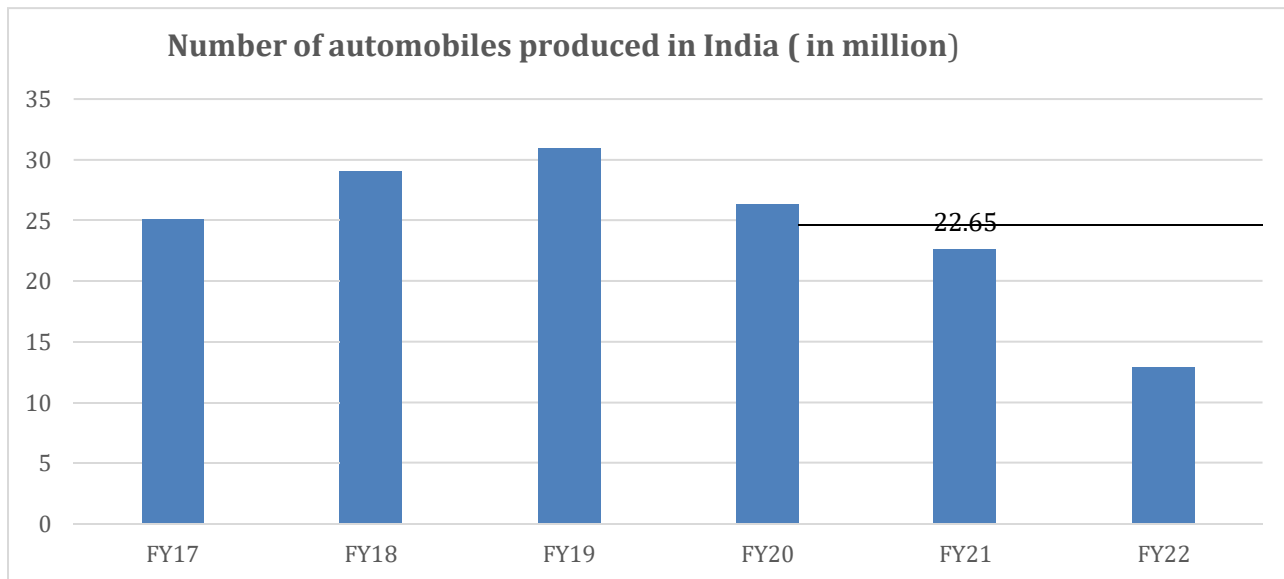
Responsible: Be caring and accountable to your team, your organisation, society and environment.

47- add red icon Country Presence, 115-M add red icon- Happy Customers, 9000 add red icon- Customer Touch-Points Worldwide, 40Years of Trust and Tech leadership.

MARKET SIZE

The Indian passenger car market was valued at US\$ 32.70 billion in 2021, and it is expected to reach a value of US\$ 54.84 billion by 2027 while registering a CAGR of over 9% between 2022 and 27. The global EV market was estimated at approximately US\$ 250 billion in 2021 and by 2028, it is projected to grow by 5 times to US\$ 1,318 billion.

In November 2023, the total production of passenger vehicles, three-wheelers, two-wheelers, and quadricycles was 2.22 million units. In (April-November) 2023-24, the total production of passenger vehicles, commercial vehicles, three-wheelers, two-wheelers, and quadricycles was 15.56 million units. In the first quarter of 2023-24, the total production of passenger vehicles, commercial vehicles, three-wheelers, two-wheelers, and quadricycles was 6.01 million units. India accomplished a significant milestone, with the sale of 8,32,434 EVs in 2023-24 (till August 2023).



The electric vehicle (EV) market is estimated to reach Rs. 50,000 crore (US\$ 7.09 billion) in India by 2025. A study by the CEEW Centre for Energy Finance recognized a US\$ 206 billion opportunity for electric vehicles in India by 2030. This will necessitate a US\$ 180 billion investment in vehicle manufacturing and charging infrastructure.

According to NITI Aayog and the Rocky Mountain Institute (RMI), India's EV finance industry is likely to reach Rs. 3.7 lakh crore (US\$ 50 billion) by 2030. A report by the India Energy Storage Alliance estimated that the EV market in India is likely to increase at a CAGR of 36% until 2026. In addition, the projection for the EV battery market is expected to expand at a CAGR of 30% during the same period.

Indian automotive industry is targeting to increase the export of vehicles by five times during 2016-26. In FY23, total automobile exports from India stood at 47,61,487. Indian automobile exports of two-wheelers stood at 36,52,122 in FY23. Honda Motor Co., Ltd. is a leading Japanese manufacturer of automobiles, motorcycles, and power equipment. The company has been in operation for over 70 years and has established a strong presence in the global automotive industry.

LIMITATIONS OF THE STUDY

- The entire study is done on the data provided by the company that is based on various assumptions.
- An in-depth analysis of the functional activities of various departments was not possible.
- Study is restricted to a single project of HERO MOTO CORP
- Since data used for analysis are financial reports and published

information, the quality of the study largely depends on the quality of the data.

- Change in price level affects the comparability of the ratios. However, price level changes are not considered in accounting variables from which ratios are computed.
- Ratios are calculated from the financial statements, so the reliability of the ratio and its analysis is dependent upon the correctness of the financial statements.
- Since information utilized for examination are budgetary reports and distributed data, the nature of the investigation generally relies upon the nature of the information.
- Change in value level influences the similarity of the proportions. Yet, value level changes are not considered in bookkeeping factors from which proportions are registered.
- Ratios are determined from the fiscal reports, so the dependability of the proportion and its investigation is reliant upon the rightness of the budget summaries.

VARIABLES SOURCES OF ONLINE DATA

1. Estimated cash flows and P&L account for 12 years
2. Website
3. records and Articles
4. Annual reports
5. Books

DATA COLLECTION SECONDARY DATA

Secondary data refers to Second-hand information". These are not originally collected but rather obtained from already published or unpublished sources. Secondary Data means data collected by someone else earlier i.e. surveys, experiments, questionnaires, personal interviews etc.

PERIOD OF STUDY

The study covers an analysis of the overall performance of the company with the help of Financial Ratios for 5 years 2019 – 2023.

TOOLS USED FOR THE STUDY

Comparative Balance Sheet Ratio Analysis

CHAPTER-5

DATA ANALYSIS, INTERPRETATION & INFER

RATIO ANALYSIS:

Ratio analysis is a technique of Financial Statements Analysis and is the most widely used tool to interpret the quantitative relationship between two variables of the financial statements. 'Ratio' is an arithmetical expression of the relationship between two related or interdependent items. Ratios, when calculated based on accounting information, are called Accounting Ratios. The accounting ratio is, thus, an arithmetical relationship between two accounting variables. "The term accounting ratio is used to describe significant relationships which exist between figures shown in a balance sheet, in a Statement of Profit and Loss, in a budgetary control system or any part of the accounting organisation." Accounting ratios can be expressed in any of the following forms:

1. Pure: It is expressed as a quotient. For example, the Current Ratio expresses the relationship between current assets and current liabilities.
2. Percentage: It is expressed in percentage. For example, the net Profit Ratio which relates net profit to net sales.
3. Times: It is expressed in the number of times a particular figure is when compared to another figure. For example, Creditors' or Trade Payables Turnover Ratio, which studies the relationship between Net Credit Purchases and Average Payables.
4. Fraction: It is expressed in fractions. For example, the ratio of fixed assets to share capital.

➤ **CLASSIFICATION OF RATIOS:**

Ratios as a tool of analysis may be classified into the following four categories:

1. Liquidity ratios:

These ratios show the ability of the enterprise to meet its short-term financial obligations. The important Liquidity Ratios are:

- i. Current ratio
- ii. Quick ratio

2. Solvency ratios:

These ratios show the ability of the enterprise to meet its long-term financial position of the business. Solvency means a firm's ability to meet its long-term liabilities. The important liquidity ratios are:

- i. Debt-to-equity ratio
- ii. Total assets to Debt ratio
- iii. Proprietary ratio
- iv. Interest coverage ratio

3. Activity Ratios or Turnover Ratios:

These ratios show how efficiently a company is using its assets to generate sales. The important Activity Ratios are:

- i. Stock turnover Ratio
- ii. Debtors' Turnover Ratio
- iii. Creditors' Turnover Ratio
- iv. Working Capital Turnover

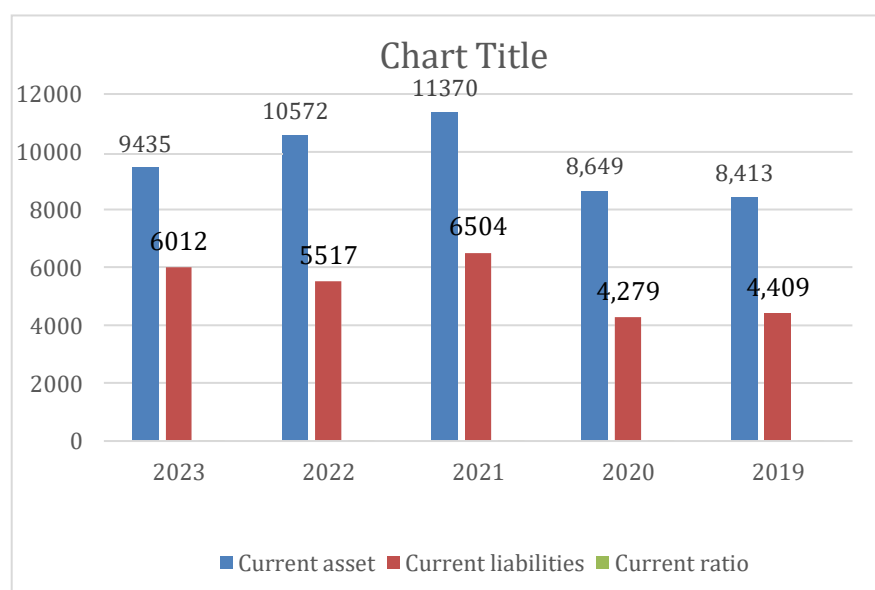
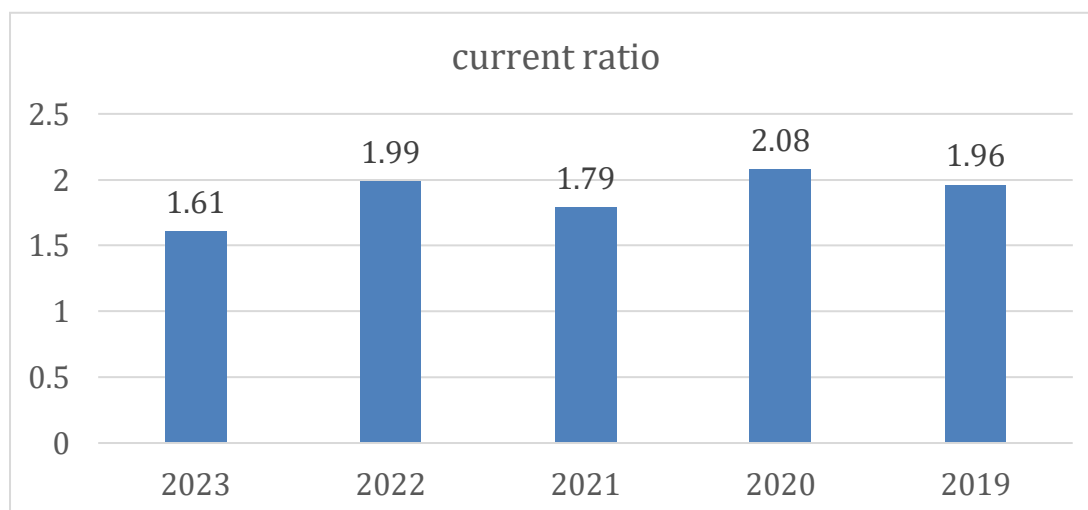
4. Profitability Ratios:

The profitability of Affirm can be measured by its profitability ratios. The important Profitability Ratios are:

- i. Gross profit ratio
- ii. Operating ratio
- iii. Operating profit ratio
- iv. Net profit ratio
- v. Return on investmen

1. LIQUIDITY RATIOS

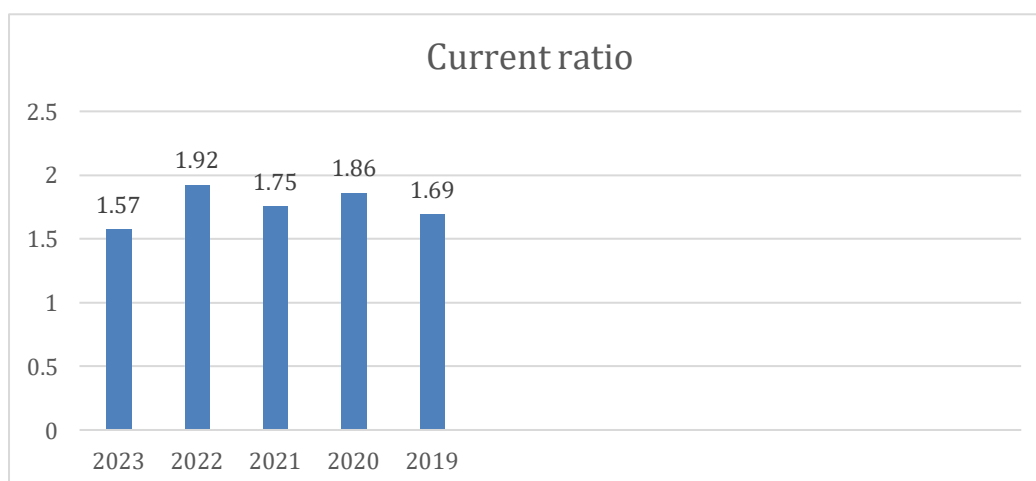
- **Current ratio:**
$$\frac{\text{Current assets}}{\text{current liabilities}}$$



The company is more capable of paying its obligations because it has a larger proportion of short-term asset value relative to the value of its short-term liabilities and has consistently maintained this liquidity over the five years. However, the company should also make sure that this ratio doesn't increase further as it will indicate an inefficient way of utilizing the current assets.

- **Liquid Ratio:** $\frac{\text{liquid asset}}{\text{current liabilities}}$

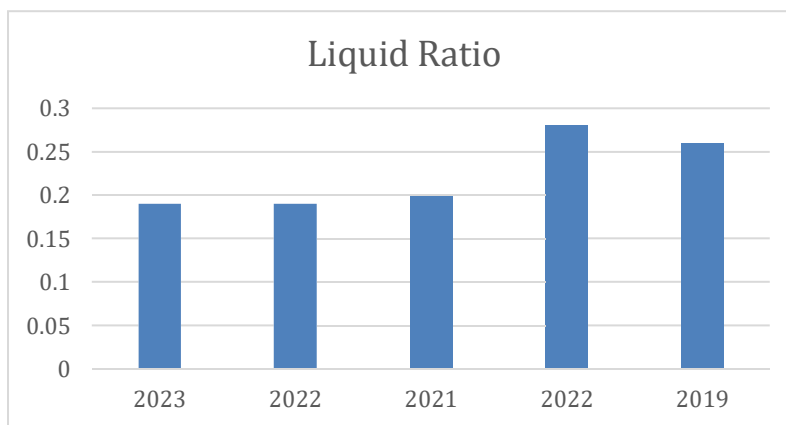
Year	Liquid asset	Current liabilities	Current ratio
2023	00	6012	1.57
2022	00	5517	1.92
2021	00	6504	1.75
2020	7938	4,279	1.86
2019	7472	4,409	1.69



The company has consistently maintained high cash and liquid assets over the short-term liabilities and in the 5 years, the short-term assets held by the company have always been more than 1.5 times the current liabilities indicating the cash richness and high cash reserves of the company as well as the very high liquidity.

Absolute Liquid Ratio: $\frac{\text{Cash} + \text{Marketable Securities}}{\text{current liabilities}}$

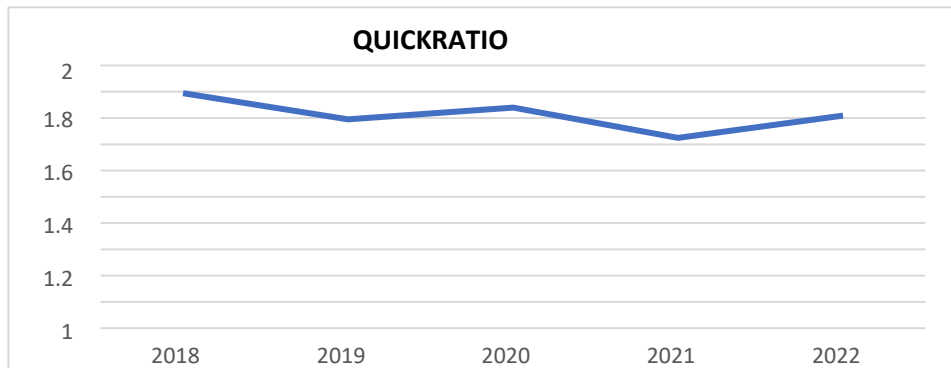
Year	Cash and Marketable Securities (Cr.)	Current Liabilities (Cr.)	Liquid Ratio
2023	834	6012	0.19
2022	864	5517	0.19
2021	992	6504	0.20
2020	1272	4,279	0.28
2019	1247	4,40	0.26



QUICK RATIO

$$\text{Quick Ratio} = \frac{\text{Quick Asset}}{\text{Quick liability}}$$

YEAR	QUICK ASSET	QUICK LIABILITY	QUICK RATIO
2018	8024.6	4481.36	1.79
2019	7043.27	4409.18	1.59
2020	7196.59	4279.06	1.68
2021	9483.24	6504.53	1.45
2022	8992.31	5517.63	1.62



INTERPRETATION OF QUICK RATIO:

The trend in the company's quick ratio over the years suggests that its financial position has been somewhat volatile. While the company has had sufficient quick assets to pay off its quick liabilities in some years, it has also faced challenges in others. This highlights the importance of closely monitoring a company's quick ratio and financial position to ensure its short-term financial health.

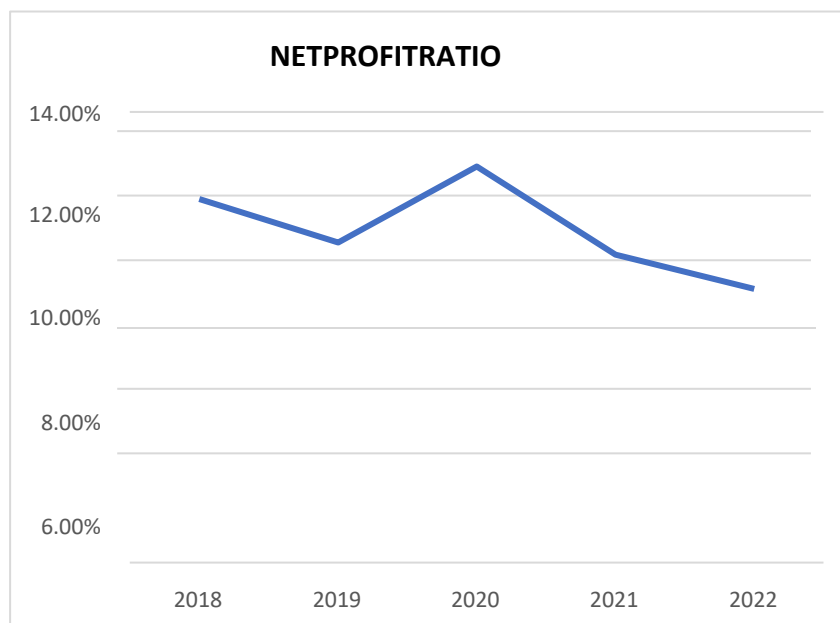
NET PROFIT RATIO

$$\text{Net Profit Ratio} = \frac{\text{NET PROFIT}}{\text{SALES}} \times 100$$

YEAR	NET PROFIT	SALES	NET PROFIT RATIO
2018	3,670.74	32,458.37	11.30%
2019	3,383.33	33,970.82	9.95%
2020	3,603.48	29,253.97	12.31%
2021	2,964.31	30,959.19	9.57%
2022	2,515.93	29,551.28	8.51%

INTERPRETATION OF NET PROFIT RATIO

The table provides an overview of the financial performance of the company over the years, highlighting the variations in net profit and sales figures and the resulting impact on the net profit ratio. The company has been able to maintain a positive net profit in all the years but has experienced fluctuations in net profit ratios due to changes in sales and expenses.



DATA ANALYSIS AND INTERPRETATION

COMPARATIVE BALANCE SHEET AS AT 2018 AND 2019				
Particulars	2018	2019	Absolute change	Percentage change
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	39.94	39.95	0.01	0%
Total Share Capital	39.94	39.95	0.01	0%
Reserves and Surplus	11,931.52	13,070.87	1139.35	10%
Total Reserves and Surplus	11,931.52	13,070.87	1139.35	10%
Employees Stock Options	0	9.59	9.59	0%
Total Shareholders' Funds	11,971.46	13,120.41	1148.95	10%
Minority Interest	93.21	116.11	22.9	25%
NON-CURRENT LIABILITIES				
Long Term Borrowings	149.63	124.84	-24.79	-17%
Deferred Tax Liabilities [Net]	581.89	612.88	30.99	5%
Other Long-Term Liabilities	0	0	0	0%
Long Term Provisions	119.18	120.94	1.76	1%
Total Non-Current Liabilities	850.7	858.66	7.96	1%
CURRENT LIABILITIES				
Short Term Borrowings	75.37	183.68	108.31	144%
Trade Payables	3,375.26	3,438.24	62.98	2%
Other Current Liabilities	970.44	727.55	-242.89	-25%
Short Term Provisions	60.29	59.71	-0.58	-1%
Total Current Liabilities	4,481.36	4,409.18	-72.18	-2%
Total Capital and Liabilities	17,396.73	18,504.36	1107.63	6%
ASSETS				
NON-CURRENT ASSETS				
Tangible Assets	4,771.39	4,792.50	21.11	0%
Intangible Assets	189.57	159.86	-29.71	-16%
Capital Work-In-Progress	239.02	384.85	145.83	61%
Intangible Assets Under Development	116.46	187.97	71.51	61%
Fixed Assets	5,316.44	5,525.18	208.74	4%
Non-Current Investments	2,078.12	2,939.95	861.83	41%
Long Term Loans and Advances	45.85	60.12	14.27	31%
Other Non-Current Assets	954.09	1,565.90	611.81	64%
Total Non-Current Assets	8,394.50	10,091.15	1696.65	20%
CURRENT ASSETS				

Current Investments	5,591.12	3,173.88	-2417.24	-43%
Inventories	962.68	1,249.53	286.85	30%
Trade Receivables	1,426.97	2,745.11	1318.14	92%
Cash And Cash Equivalents	237.57	303.9	66.33	28%
Short-Term Loans and Advances	28.5	25.08	-3.42	-12%
Other Current Assets	755.39	915.71	160.32	21%
Total Current Assets	9,002.23	8,413.21	-589.02	-7%
Total Assets	17,396.73	18,504.36	1107.63	6%

COMPARATIVE INCOME STATEMENT AS AT 2018 AND 2019				
PARTICULARS	2018	2019	ABSOLUTE CHANGE	PERCENT AGE CHANGE
Revenue From Operations [Gross]	32,448.35	33,431.36	983.01	3%
Less: Excise/Service Tax/Other Levies	642.57	1.41	-641.16	-100%
Revenue From Operations [Net]	31,805.78	33,429.95	1,624.17	5%
Other Operating Revenues	652.59	540.87	-111.72	-17%
Total Operating Revenues	32,458.37	33,970.82	1,512.45	5%
Other Income	523.17	686.73	163.56	31%
Total Revenue	32,981.54	34,657.55	1,676.01	5%
EXPENSES				
Cost Of Materials Consumed	21,995.94	23,503.46	1,507.52	7%
Changes In Inventories Of FG, WIP And Stock-In Trade	-110.12	-59.04	51.08	-46%
Employee Benefit Expenses	1,583.71	1,778.03	194.32	12%
Finance Costs	30.8	37.18	6.38	21%
Depreciation And Amortization Expenses	574.98	624.44	49.46	9%
Other Expenses	3,663.79	3,729.94	66.15	2%
Total Expenses	27,739.10	29,614.01	1,874.91	7%
Profit/Loss Before Exceptional, Extraordinary Items And Tax	5,242.44	5,043.54	-198.90	-4%
Exceptional Items	0	0	0.00	0%
Profit/Loss Before Tax	5,242.44	5,043.54	-198.90	-4%
Tax Expenses-Continued Operations				
Current Tax	1,450.99	1,608.81	157.82	11%
Deferred Tax	118.94	29.14	-89.80	-76%
Total Tax Expenses	1,569.93	1,637.95	68.02	4%

Profit/Loss After Tax And Before Extra-Ordinary Items	3,672.51	3,405.59	-266.92	-7%
Profit/Loss from Continuing Operations	3,672.51	3,405.59	-266.92	-7%
Profit/Loss for The Period	3,672.51	3,405.59	-266.92	-7%

COMPARITIVE BALANCE SHEET AS AT 2019 AND 2020

Particulars	2019	2020	Absolute change	Percentage change
EQUITIES AND LIABILITIES				
SHAREHOLDER'S FUNDS				
Equity Share Capital	39.95	39.95	0	0%
Total Share Capital	39.95	39.95	0	0%
Reserves and Surplus	13,070.87	14,350.90	1280.03	10%
Total Reserves and Surplus	13,070.87	14,350.90	1280.03	10%
Employees Stock Options	9.59	15.44	5.85	61%
Total Shareholders' Funds	13,120.41	14,406.29	1285.88	10%
Minority Interest	116.11	140.6	24.49	21%
NON-CURRENT LIABILITIES				
Long Term Borrowings	124.84	44.02	-80.82	-65%
Deferred Tax Liabilities [Net]	612.88	472.58	-140.3	-23%
Other Long-Term Liabilities	0	207.62	207.62	0%
Long Term Provisions	120.94	123.9	2.96	2%
Total Non-Current Liabilities	858.66	848.12	-10.54	-1%
CURRENT LIABILITIES				
Short Term Borrowings	183.68	165.88	-17.8	-10%
Trade Payables	3,438.24	3,127.62	-310.62	-9%

Other Current Liabilities	727.55	825.87	98.32	14%
Short Term Provisions	59.71	159.69	99.98	167%
Total Current Liabilities	4,409.18	4,279.06	-130.12	-3%
Total Capital and Liabilities	18,504.36	19,674.07	1169.71	6%
ASSETS				
NON-CURRENT ASSETS				
Tangible Assets	4,792.50	6,305.03	1512.53	32%
Intangible Assets	159.86	167.9	8.04	5%
Capital Work-In-Progress	384.85	204.64	-180.21	-47%
Intangible Assets Under Development	187.97	186.69	-1.28	-1%
Fixed Assets	5,525.18	6,864.26	1339.08	24%
Non-Current Investments	2,939.95	3,649.52	709.57	24%
Long Term Loans and Advances	60.12	67.68	7.56	13%
Other Non-Current Assets	1,565.90	443.41	-1122.49	-72%
Total Non-Current Assets	10,091.15	11,024.87	933.72	9%
CURRENT ASSETS				
Current Investments	3,173.88	4,709.12	1535.24	48%
Inventories	1,249.53	1,282.32	32.79	3%
Trade Receivables	2,745.11	1,511.91	-1233.2	-45%
Cash And Cash Equivalents	303.9	435.41	131.51	43%
Short Term Loans and Advances	25.08	23.75	-1.33	-5%
Other Current Assets	915.71	686.69	-229.02	-25%
Total Current Assets	8,413.21	8,649.20	235.99	3%
Total Assets	18,504.36	19,674.07	1169.71	6%

COMPARATIVE INCOME STATEMENT AS AT 2019 AND 2020

PARTICULARS	2019	2020	ABSOLUTE CHANGE	PERCENT- AGE CHANGE
Revenue From Operations [Gross]	33,431.36	28,813.93	-4,617.43	-14%
Less: Excise/Service Tax/Other Levies	1.41	1.35	-0.06	-4%
Revenue From Operations [Net]	33,429.95	28,812.58	-4,617.37	-14%
Other Operati ng Reven ues	540.87	441.39	-99.48	-18%
Total Operati ng Reven ues	33,970.82	29,253.97	-4,716.85	-14%
Other Income	686.73	730.56	43.83	6%
Total Revenue	34,657.55	29,984.53	-4,673.02	-13%
EXPENSES				
Cost Of Materi als Consu med	23,503.46	20,004.29	-3,499.17	-15%
Changes In Inventories Of FG, WIP And Stock-In Trade	-59.04	-173.34	-114.30	194%
Empl oyee	1,778.03	1,889.32	111.29	6%

Benefit Expenses				
Finance Costs	37.18	46.64	9.46	25%
Depreciation And Amortization Expenses	624.44	845.76	221.32	35%
Other Expenses	3,729.94	3,472.78	-257.16	-7%
Total Expenses	29,614.01	26,085.45	-3,528.56	-12%

Profit/Loss Before Exceptional, Extra Ordinary Items and Tax	5,043.54	3,899.08	-1,144.46	-23%
Exceptional Items	0	677.37	677.37	0%
Profit/Loss Before Tax	5,043.54	4576.45	-467.09	-9%
Tax Expenses- Continued Operations				
Current Tax	1,608.81	1,096.79	-512.02	-32%
Deferred Tax	29.14	-145.12	-174.26	-598%
Total Tax Expenses	1,637.95	951.67	-686.28	-42%
Profit/Loss After Tax and Before Extra- Ordinary Items	3,405.59	3,624.78	219.19	6%
Profit/Loss from Continuing Operations	3,405.59	3,624.78	219.19	6%
Profit/Loss for The Period	3,405.59	3,624.78	219.19	6%

PARTICULARS	2021	2022	INCREASE OR DECREASE IN RS	INCREASE OR DECREASE IN %
Equities and Liabilities				
Equity share capital	39.96	39.96	-	-
Reserves and Surplus	15139.43	15718.51	+579.08	+3.82
Employee Stock Option	19.04	24.45	+5.41	+28.41
Deferred Tax Liability	404.09	388.29	-15.8	-3.91
Long-term Liability	275.85	297.36	+21.51	+7.79
Long term Provision	172.46	178.07	+5.61	+3.25
Trade Payables	5204.61	4260.34	-944.27	-18.14
Current Liabilities	745.24	651.62	-93.62	-12.56
Short Term Provisions	160.37	160.42	+0.05	+0.03
Total Liabilities	22161.05	21714.02	-447.03	-2.01

ASSETS				
Tangible Assets	5698.15	5507.98	-190.17	-3.33
Non-Tangible Assets	290.26	298.50	+8.24	+2.83
Capital Work in progress	177.86	87.32	-90.54	-50.9
Under development	258.73	370.88	+112.15	+43.34
Non-Current Investment	4308.18	4814.66	+506.48	+11.75
Long Term Loans and advances	52.33	59.03	+6.8	+13.01
Other Non-Current Assets	422.85	460.69	+37.87	+8.94
Current Investments	6191.49	5837.66	-353.83	-5.71
Inventories	1469.55	1122.65	-346.9	-23.60
Trade receivables	2426.76	2304.27	-122.49	-5.04
Cash and Cash equivalents	257.15	175.12	-82.03	-31.89

Short term Loans and Advances	36.94	22.81	-14.13	-38.25
Other Current Assets	570.90	652.45	+81.55	+14.28
Total Assets	22161.05	21714.02	-447.03	-2.01

COMPARATIVE BALANCE SHEET for the year 2021 - 2022

INTERPRETATION

The table displays the equity and liabilities as well as the assets of the company for the years 2021 and 2022, with the changes in both absolute terms and percentage terms the long-term liabilities of the company increased, with Other long-term liability increasing by 7.79% and Long-term Provision increasing by 3.25%. Tangible assets decreased by 3.33%, Inventories decreased by 23.60%.

Tools for analysis of financial statements:

Financial statements when analysed in isolation are not of much meaning and use. They are thus analysed by comparing them with financial statements of previous years or with those of other enterprises of similar nature and size operating in similar business environments or with industry standards. The tools used for carrying out the analysis are:

1. Comparative Statements
2. Common – size Statements
3. Ratio Analysis
4. Cash Flow Statement
5. Trend Analysis
6. Fund flow statement

COMPARATIVE STATEMENTS

Comparative statements or comparative Financial Statements mean a study of components or elements or items of financial statements (Balance sheet and Statement of Profit and Loss) for two years or with that of other enterprises. As a first step, each component element or item of financial statements of two or more financial years is placed alongside each other. After that, the difference between the two amounts is determined. And lastly, the percentage change in the amount is ascertained. The statement so prepared is known as the Comparative statement.

COMPARATIVE BALANCE SHEET

“Comparative Balance Sheet analysis is the study of the trend of the same items, group of items and computed items in two or more balance sheets of the same business enterprise on different dates”. The comparative balance sheet of an enterprise on two or more dates is used for comparing assets, liabilities and capital and ascertaining increases and decreases in those items. Such analysis often yields considerable information that is of value in forming the opinion regarding the process of an enterprise.

COMPARATIVE STATEMENT OF PROFIT AND LOSS OR INCOME STATEMENT:

Statement of Profit and Loss or Income Statement shows net profit earned or net loss incurred for the year. A comparative Income Statement shows the operating results for several accounting periods so that changes in data in terms of absolute amount and percentage from one period to another may be known.

CLASSIFICATION OF RATIOS:

Ratios as a tool of analysis may be classified into the following four categories:

1. Liquidity ratios:

These ratios show the ability of the enterprise to meet its short-term financial obligations. The important Liquidity Ratios are:

- iii. Current ratio
- iv. Quick ratio

2. Solvency ratios:

These ratios show the ability of the enterprise to meet its long-term financial position of the business. Solvency means a firm's ability to meet its long-term liabilities. The important liquidity ratios are:

- v. Debt-to-equity ratio
- vi. Total assets to Debt ratio
- vii. Proprietary ratio
- viii. Interest coverage ratio

3. Activity Ratios or Turnover Ratios:

These ratios show how efficiently a company is using its assets to generate sales. The important Activity Ratios are:

- v. Stock turnover Ratio
- vi. Debtors' Turnover Ratio
- vii. Creditors' Turnover Ratio
- viii. Working Capital Turnover

4. Profitability Ratios:

The profitability of Affirm can be measured by its profitability ratios. The important Profitability Ratios are:

- vi. Gross profit ratio
- vii. Operating ratio
- viii. Operating profit ratio
- ix. Net profit ratio
- x. Return on investment

1. Liquidity Ratio

(i) Current Ratio

The current ratio is a relationship of current assets to current liabilities and is computed to assess the short-term financial position of the enterprise. It means the current ratio is an indicator of the enterprise's ability to meet its short-term

obligations. It is an accepted norm that current assets should be two times the current liabilities. If the current ratio is 2:1 only, then realization from current assets is adequate to pay current liabilities in time and enable the enterprise to meet other day-to-day expenses.

(ii) Quick Ratio/ Liquid Ratio

The liquidity ratio is the relationship of liquid assets with current liabilities and is computed to assess the short-term liquidity of the enterprise. Liquid assets put against the current liabilities give the liquid ratio. The quick ratio of 1:1 is an accepted standard, since for every rupee of current liabilities; there is a rupee of quick assets. Absolute liquid ratio

This ratio is obtained by dividing cash and marketable securities by current liabilities. It is also known as the cash position ratio. A ratio of 0.75:1 is recommended to ensure liquidity. This test is a vigorous measure of a firm's liquidity position. This ratio gains much significance only when it is used in function with the current and liquid ratios. A standard 1.2:2 absolute liquidity is considered the standard norm. However, this ratio is not much in use.

(i) Debt – Equity Ratio

Debt-equity Ratio is computed to assess the long-term financial soundness of the enterprise. The ratio expresses the relationship between external equities and internal equities (i.e., Shareholders' funds) of the enterprise. Debt The equity ratio indicates the relative proportion of shareholders' funds and debt, i.e., capital contributed by long-term lenders and shareholders, used to finance company assets. The ideal debt equity ratio depends on the nature of the business. Normally, a Debt- Debt-equity ratio of 2:1 is considered an appropriate ratio.

(ii) Total assets to debt ratio

Total Assets to Debt Ratio establishes a relationship between total assets and total long-term debts. The objective of computing the ratio is to establish the relationship between total assets and long-term debts of the business. It measures the safety margin available to the providers of long-term debts. In other words, it measures the safety margin available to the providers of long-term debts.

(iii) Proprietary ratio

The proprietary ratio establishes a relationship between proprietors' funds and total assets. Proprietors' fund is a sum of share capital, reserves and surplus, money received against share warrants and share application money pending allotment but deducting there from Deferred Tax assets(net) and fictitious assets such as Unamortized Loss on the issue of debentures which may be shown as Other Non – Current asset and/or Other current assets of the business. Total assets include all the assets less fictitious assets. The objective of computing this ratio is to measure the proportion of total assets financed by the proprietor's funds. The ratio is important for creditors.

(iv) Interest Coverage Ratio

The ratio establishes a relationship between net profit before interest and tax and interest payable on long-term debts. Interest is a charge on profit therefore; net profit before interest and tax is taken to calculate the ratio. The ratio is very meaningful to debenture holders and lenders of long-term funds. The objective of calculating the ratio is to ascertain the amount of profit available to cover the interest.

2. Activity Ratio

(i) Stock or inventory Turnover ratio:

Inventory Turnover Ratio establishes a relationship between the cost of goods sold, i.e., Cost of Revenue from Operations and the average amount of inventory carried during that period. Inventory ratio is an activity as well as efficiency ratio and it measures how many times per period a business sells and replaces its inventory.

(ii) Debtors' turnover ratio or Trade Receivables turnover ratio:

The debtors' Turnover ratio establishes the relationship between net credit sales and average trade receivables, i.e., debtors and bill receivable of the year. This ratio indicates the number of times the receivables are turned over in a year about sales. It shows how quickly receivables are converted into cash and thus, shows the efficiency in the collection of amounts due from debtors.

(iii) Creditors' turnover ratio:

The accounts payable turnover ratio, also known as the payables turnover or the creditor's turnover ratio, is a liquidity ratio that measures the average number of times a company pays its creditors over an accounting period.

(iv) Working Capital Turnover Ratio:

The Working Capital Turnover Ratio establishes the relationship between working capital and revenue from operations or sales. It shows the number of times a unit of rupee invested in working capital produces sales. The ratio indicates whether the working capital has been effectively utilized or not. In fact, in the short-run, it is the current assets and current liabilities that play a major role.

3. Profitability Ratio

(i) Gross Profit Ratio

The gross profit ratio establishes the relationship between gross profit and Net sales, i.e., Net Revenue from Operations of an enterprise. The ratio is calculated and presented in percentages.

(ii) Operating Ratio

Operating Ratio is computed to establish a relationship between Operating Costs and Revenue from operations, i.e., Sales. The ratio shows the proportion of cost of goods sold and operating expenses. The operating Ratio is the test of the operational efficiency of the business. It shows the percentage of Revenue from Operations, i.e., sales that are absorbed by the cost of sales and operating Expenses.

(iii) Operating Profit Ratio

The operating ratio measures the relationship between Operating Profit and Net sales. It is computed by dividing the operating profit by the net sales and is expressed as a percentage. The objective of computing this ratio is to determine the operational efficiency of the management.

(iv) Net Profit Ratio

Net Profit Ratio establishes the relationship between Net Profit and Net Sales. It shows the percentage of Net Profit earned on Revenue from Operations. It is an indicator of the overall efficiency of the business.

(v) Return on Investment (ROI) or Return on Capital Employed Ratio

Return on Capital Employed Ratio shows the relationship of profit (profit means profit before interest and tax) with Capital Employed. The net result of the operation of a business is either profit or loss. The sources, i.e., funds used by the business to earn this (profit or loss) are proprietors' (shareholders')

funds and loans. The objective is to assess the overall performance of the enterprise. It measures how efficiently the sources entrusted to the business are used.

❖ **Total Assets Turnover Ratio**

Total assets turnover Ratio shows the relationship between Total Assets, i.e., fixed assets and current assets and revenue from operations. Fictitious assets, if any, are excluded. The objective of computing the ratio is to determine how efficiently assets have been utilized and in turn, it shows the promise of profitability and efficiency of management.

❖ **Return on Shareholders' Funds**

This ratio measures the relationship between net profit after interest and tax, and shareholders, funds. The objective of computing this ratio is to find out how efficiently the funds supplied by the shareholders have been used. This ratio indicates the firm's ability to generate profit per rupee of shareholders' funds.

❖ **Return on Total Assets.**

This ratio shows the relationship between the net profit and total assets. The ratio is computed by dividing net profit after tax by total assets. It is expressed as a percentage. The ratio is computed to ascertain whether the investments in assets have generated adequate net profit. It also reflects on the efficiency of the management.

❖ **Earnings per Share (EPS)**

It is the earnings of a company attributable to the Equity shareholders divided by the number of Equity Shares. In other words, this ratio measures the earnings available to equity shareholders on a per basis. This ratio helps in evaluating the prevailing market price of share in the light of profit-earning capacity. The higher the earnings per share, the better the performance and prospects of the company.

FINDINGS, SUGGESTIONS AND CONCLUSION:

FINDINGS:

In 2022, the company's tangible assets decreased by Rs. 190.17 or 3.33% compared to 2021. The non-tangible assets increased by Rs. 8.24 or 2.83% compared to 2021. The capital work in progress decreased by Rs. 90.54 or 50.9% compared to 2021.

The company has a stable financial position with strong current and quick ratios, indicating that it has enough current and liquid assets to cover its short-term obligations. The proprietary ratio also shows that the company has a strong financial position relative to its tangible assets. However, it is important to consider other financial ratios and metrics to get a complete picture of the company's financial health.

The tables suggest that the company's profitability has been somewhat unstable over the years, with fluctuations in gross profit, net profit, and operating profit ratios. The decline in profitability in 2022 may warrant further investigation to identify the cause and potential solutions.

The company appears to have used its fixed assets and total assets relatively efficiently over the five-year period, although there was some fluctuation in the ratios. The company also appears to have improved its inventory turnover ratio over the period, indicating that it was able to sell its inventory more quickly.

SUGGESTIONS:

Hero Moto Corp should continue to innovate and develop new products to meet changing customer needs and preferences. This could involve investing in research and development, collaborating with technology companies, and exploring new markets and customer segments.

Hero MotoCorp should look for ways to expand its distribution channels and reach new customers. This could involve partnering with dealerships, online platforms, and other businesses that can help to expand the company's reach and brand awareness.

As concerns about the environment and sustainability grow, automotive companies like Hero MotoCorp must prioritize sustainability and reduce their environmental impact. This could involve investing in clean energy, reducing waste and emissions, and promoting sustainable practices throughout the company's operations.

CHAPTER- 7

CONCLUSIONS

The project “A STUDY ON ANALYSIS AND COMPARISON OF FINANCIAL STATEMENTS

USING FINANCIAL ANALYSIS TOOLS” was a good learning experience both theoretically

and in practice. It gave me a greater insight into various concepts of financial statement analysis

and the practical use of the same during the project. It also helped me to think beyond bookish knowledge and understand the relative worth of the project. I find myself privileged to do a study on the financial statements of HERO MOTO CORP.

From the financial analysis, the company is shown in a good and financially sound position. The

way different departments uniquely contribute to the overall functioning of the organization reveals their unanimous efforts toward the overall objective of the company. As a nation, one can be proud of the contributions made by the company towards its economy and its GDP.

In terms of asset management, the company has maintained a relatively high fixed asset turnover ratio, which suggests efficient utilization of its fixed assets. However, there has been a decline in this ratio over the years, indicating a need for the company to focus on optimizing the use of its fixed assets to maintain profitability.

Hero MotoCorp appears to be a stable and profitable company, but there is room for improvement in terms of asset management and inventory control to maintain long-term profitability.

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