

# A Study on Financial Performance Analysis of TVS Motor Company

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## ABSTRACT

This study presents an in-depth financial performance analysis of TVS Motor Company, one of the leading two-wheeler manufacturers in India. The research is based on the company's financial statements for the last five years, from 2016 to 2020. The study aims to evaluate the company's financial health and assess its financial performance using various financial ratios and indicators. The study found that the company's financial performance has improved significantly over the years, as evidenced by the increase in revenue, net profit, and return on assets. However, the company faces some challenges, including increasing competition, changing market dynamics, and rising costs. The study concludes by providing recommendations for TVS Motor Company to sustain its financial performance and remain competitive in the market. Keywords: Financial Performance, TVS Motor Company, Financial Ratios, Return on Assets, Competition.

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## 1. Introduction of the study

TVS Motor Company is one of the leading two-wheeler manufacturers in India, operating in more than 60 countries. The company has been operating for more than four decades and has established itself as a strong player in the market. Analysis of financial results is crucial to assess the overall financial condition and performance of a company. The purpose of this study is to provide an in-depth financial analysis of TVS Motor Company for the past five years, 2018-2022. The analysis uses various financial ratios and ratios to assess the company's profitability, liquidity, solvency and turnover ratio. . The study provides an overview of the company's financial results, highlights its strengths and weaknesses, and provides recommendations to improve the financial situation. The findings of this study will be valuable to investors, analysts and other stakeholders interested in the financial performance of TVS Motor Company.

## 2. Statement of the problem

As a competitive world so it's important to win the race so for the business financial performance and analysis is key factor and guideline to win the race. The result of financial analysis and performance reflected as mirror in financial position and success of business. In this study I have made an attempt to analyze the financial performance of TVS MOTOR COMPANY which experiences a wide range of fluctuations in its profit during COVID-19. In this regard the study has been made to analyze the financial status of the company using the tool like ratio analysis in order to discover its strength and weakness relating to the financial aspects for its growth and development.

## 3. Objectives of the study

- To study the financial performance of TVS Motor Company
- To analyze the financial performance with selected Tools
- To interpret the strength and weakness of the company.

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#### 4. Scope of the study

- In this study one private company is selected to evaluate the financial performance. The main purpose of the study was to apply the research perspective of practical work experience.
- The study used Working capital and ratio analysis based on last 5 years financial statements of TVS MOTOR COMPANY LIMITED.

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#### 5. Research Methodology

In this study one private company is selected to evaluate the financial performance. The main purpose of the study was to apply the research perspective of practical work experience. → The study used ratio analysis based on last 5 years financial statements of TVS MOTOR COMPANY LIMITED. The study is based on secondary data. The data were collected from the balance sheet and profit & loss account of TVS Motor Company Limited. The necessary data were obtained from published annual report of the company

**5.1 SECONDARY DATA** The major source of data for this project was collected through → Balance sheet of company. → Profit and loss account of 5 year period from 2018-2022.

**5.2 PERIOD OF STUDY** this study covers a period of five years commencing from 2018-2019 to 2020-2022

#### 5.3 TOOLS USED

- Ratio Analysis
- Working capital
- Comparative balance sheet

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#### 6. Review of Literature

- **G Kanagavalli, R Saroja Devi (2018)** The Indian auto industry became the fourth largest in the world with sales increasing 9.5 per cent year-on-year to 4.02 million units (excluding two wheelers) in 2017. It was the 7th largest manufacturer of commercial vehicles in 2017. The Two Wheelers segment dominates the market in terms of volume owing to a growing middle class and a young population
- **Gautam Sen, Ravi Ranjan (2018)** Leverage analysis can be defined as a process of identifying the financial strength and weakness of a firm from the available data and financial statements. A firm needs funds so run and manage its activities. The funds are needed to set up an enterprise and then to implement expansion, diversification and other plans
- **G Sankaranarayanan, C Suganya (2016)** A study on customer satisfaction is a term frequently used in marketing is a measure of how products and services Supplied by a company meet or surpass customer expectations its seen that Key Performance indicator within business and is often part of a balanced scorecard
- **Jothi, k & Geethalakshmi, A. (2016)** this study tries to evaluate the profitability & financial position of selected companies of Indian automobile industry using statistical tools like, ratio analysis, mean, standard deviation, correlation. The study reveals the positive relationship between profitability, short term and long term capital.

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#### 7. Analysis and Interpretation of Data

##### LIQUIDITY RATIO

Liquidity ratios measure a company's ability to pay debt obligations and its margin of safety through the calculation of metrics including the current ratio, quick ratio, and operating cash flow ratio.

- Current Ratio
- Quick Ratio

### 7.1 CURRENT RATIO

Current ratio is a popular tool to evaluate short-term solvency position of a business. Short-term solvency refers to the ability of a business to pay its short-term obligations when they become due. Short term obligations (also known as current liabilities) are the liabilities payable within a short period of time, usually one year. A higher current ratio indicates strong solvency position and is therefore considered better.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities of SBI Bank}$$

**TABLE 7.1.1**  
**CURRENT RATIO**

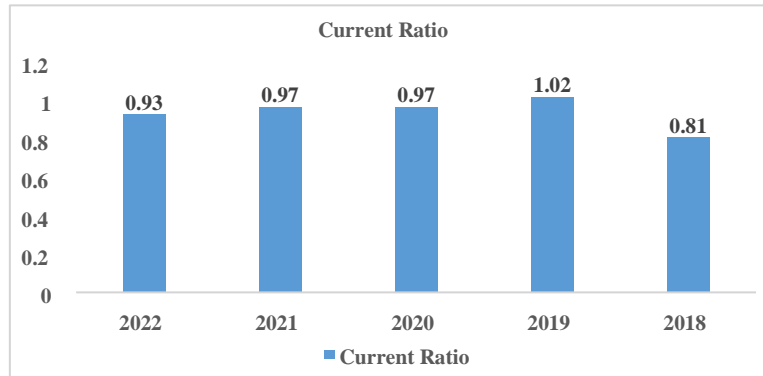
YEAR	CURRENT ASSET	CURRENT LIABILITIES	CURRENT RATIO
2022	12,848.08	13,851.72	0.93
2021	10,536.84	10,901.71	0.97
2020	9,739	10,025.24	0.97
2019	8,331.67	8,184.79	1.02
2018	6,372.89	7,853.08	0.81

**SOURCE: Secondary Data**

### INTERPRETATION

The current ratio of TVS Motors Company limited shows the decreasing in the year 2018 is 0.81 and it is increases in 2019 as 1.02. And it got decreasing in the 2020 which is 0.97. The highest ratio is 1.02 in the year 2019 and the lowest ratio is 0.81 in the year 2018 as the current ratio is less than the standard norms of 2:1, the liquidity position of the company is not satisfactory .

**CHART 7.1.1**  
**CURREN RATIO**



### PROFITABILITY RATIO

Profitability ratio measures a company's ability to generate revenue compared to expenses and other costs associated with generating revenue over a period of time. Profitability shows the ultimate performance of the company. It also tells how profitably the owner's fund was used in the company.

- Gross profit ratio
- Net profit ratio
- Operating ratio

**7.1.2. GROSS PROFIT:** Gross margin (GP ratio) is a profit ratio that shows the relationship between gross profit and total revenue. It is a popular tool for evaluating the performance of a company's operations. The ratio is calculated by dividing the sales margin by the turnover.

$$\text{Gross profit} = \text{Gross profit} / \text{Net sales} * 100$$

**TABLE 7.1.2**  
**GROSS PROFIT RATIO**

YEAR	GROSS PROFIT	NET SALES	GROSS PROFIT RATIO
2022	1809	24355.31	7.4
2021	1386	19420.82	7.1
2020	1421	18849.31	7.5
2019	1524	20159.99	7.5

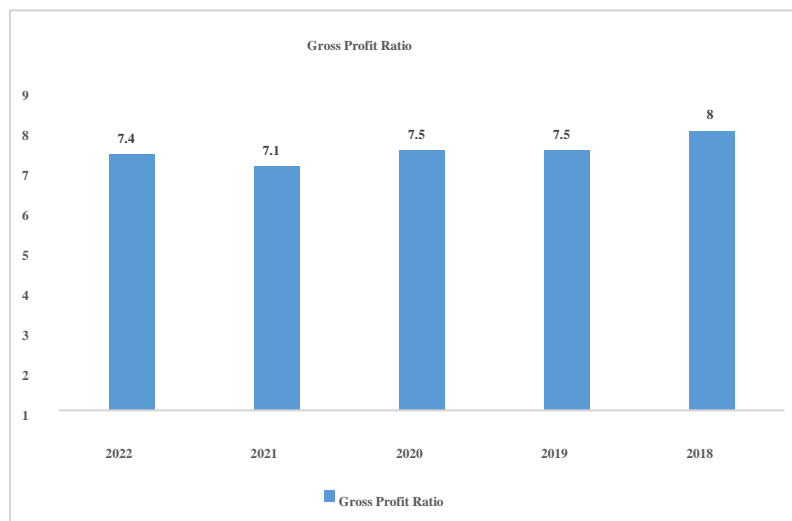
2018	1304	16294.50	8.0
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SOURCE: Secondary Data

## INTERPRETATION

The Gross profit of TVS Motors Fluctuating in the year 2019. The gross profit ratio decreased in the year 2019, and the lowest ratio in the 2021 which is 7.1. And the Highest ratio in the year 2018 in which has 8.0. Which indicates the cost of goods sold many be high during the year. The company's gross profit ratio was Normal. Therefore Profitability of the company is good.

**CHART 4.1.3**  
**GROSS PROFIT RATIO**



## TURNOVER RATIO

A company's turnover ratio measures the company's efficiency. The turnover ratio describes the amount of assets or liabilities that a company replaces with sales. The expression is useful for determining the efficiency of using the assets of a company

- Inventory turnover ratio
- Fixed Asset turnover ratio

### 7.1.3. FIXED ASSET TURNOVER RATIO

Fixed asset turnover shows how effectively a company generates sales from its existing fixed assets. The turnover of fixed assets is calculated by dividing the turnover by the average balance of fixed assets. A higher ratio means that management is using its fixed assets more efficiently.

$$\text{Fixed asset Turnover Ratio} = \text{net sales} / \text{Average fixed asset}$$

**TABLE 7.1.3**  
**FIXED ASSET TURNOVER RATIO**

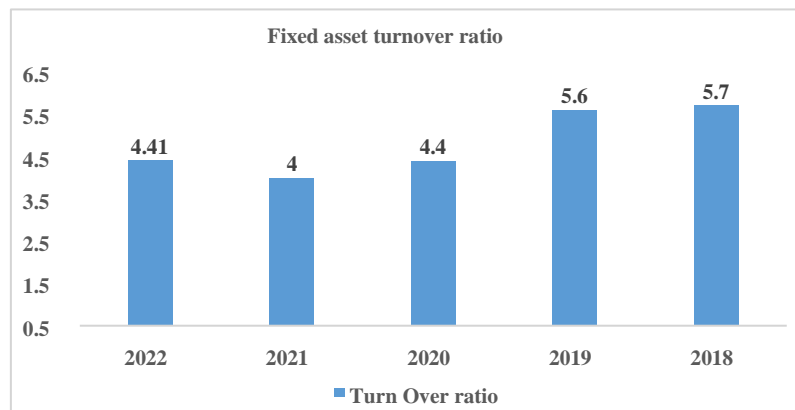
YEAR	NET SALES	AVERAGE FIXED ASSET	FIXED ASSET TURNOVER RATIO
2022	24355.31	5514.75	4.41
2021	19420.82	4850.95	4.0
2020	18849.31	4275.69	4.4
2019	20159.99	3570.9	5.6
2018	16294.50	2821.23	5.7

**SOURCE: Secondary Data**

#### INTERPRETATION

The Fixed Asset Turnover Ratio of TVS Motors is 5.7 in the year 2018 which is the highest among all the years. The ratio got decreased in the year 2020 which is 4.4. The ratio is probably equal in the year 2020 to 2022. Higher the ratio the company uses its fixed asset effectively. The company's fixed asset ratio is satisfactory.

**CHART 7.1.3**  
**FIXED ASSET TURNOVER RATIO**



## 8. Findings and Suggestions

### Findings

- The liquidity ratio of the firm is not in better liquidity position in over 5 years. It shows that the firm had not sufficient Liquid asset.
- The current ratio of the company is less than the Standard norms 2:1.
- In quick ratio there is increase in Ratio of the year 2019 which is 0.86 compared to the year 2018 which is 0.68.
- The gross profit ratio is constant in the year 2019- 2020 and the highest ratio is 8.0 in 2018.
- The Net profit is probably equal for all the years. And the standard net profit ratio is 3.5. Which is equal to standard ratio for all years.
- The highest operating ratio is 12 in 2020 and the lowest is 10 in the year 2018. There is fluctuating in the following years.
- In debt-equity ratio the highest ratio is 5 in the year 2022. It is higher than the optimal ratio 2.0. Which is little risky.
- In debit ratio the standard ratio is below 0.5. The highest ratio is 0.81 in the year 2020- 2022. The utilization of asset is less.
- The highest ratio is 5.7 in 2018 and the lowest is 4.4 is 2020 to 2022. The company's fixed asset is satisfactory.
- In Inventory turnover ratio the highest ratio is 17 in the year 2019 and lowest in the year 2018 which is 14.7. It decreased to 15.2 in 2020 due to COVID-19.

### Suggestions

- To increase the liquidity position, the company can increase current assets or decrease current liabilities.
- Company should focus on current assets to maintain adequate level.
- The company should focus on short-term liabilities that can be settled on time.
- To strengthen the result, long-term assets must be used to finance current assets and part of temporary current assets. It is better if the company can borrow money from outside.
- The company must have enough money and bank accounts; they should invest the unused money in liquid securities or short-term investments in stocks, bonds, debentures and other securities.
- The company should reduce its debts and use its assets effectively.
- The utilization rate of fixed assets is good, the company should maintain it.
- To increase the liquidity position, the company can increase current assets or reduce short-term liabilities.
- To strengthen the result, long-term assets must be used to finance current assets and part of temporary current assets.
- The company must have enough money and bank accounts; they should invest the unused funds in marketable securities or short-term investments in stocks, bonds, debentures and other securities.
- Company should focus on current assets to maintain adequate level.
- To strengthen the economic result, long-term funds must be used to finance current assets and part of temporary current assets.
- The company should reduce its debts and use its assets efficiently.

### Conclusion

The company have a huge reputation among its customers. The management of the organization is very keen in introducing sophisticated technology to upgrade the quality of the product. Analyzing ratio, working capital and balance sheet is an internal and external part of overall corporate management.

According to this study, that the financial performance analysis of TVS motor company is satisfactory. This study helped you to know the financial strength and weakness of TVS motor company. Liquidity ratio, solvency ratio and working capital shows negative sign. Profitability ratio and turnover ratio shows a positive sign. So the financial performance is satisfactory but there is a further scope for improvement.

## References

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## Annexure

### CONSOLIDATED BALANCE SHEET

BALANCE SHEET OF TVS MOTOR Rs. Cr.)	COMPANY (in	MAR 22	MAR 21	MAR 20	MAR 19	MAR 18
		12 mths	12 mths	12 mths	12 mths	12 mths
EQUITIES AND LIABILITIES						
SHAREHOLDER'S FUNDS						
Equity Share Capital		47.51	47.51	47.51	47.51	47.51
TOTAL SHARE CAPITAL		47.51	47.51	47.51	47.51	47.51
Reserves and Surplus		4,351.94	3,779.10	3,234.59	3,122.66	2,629.69
TOTAL RESERVES AND SURPLUS		4,351.94	3,779.10	3,234.59	3,122.66	2,629.69
TOTAL SHAREHOLDERS FUNDS		4,399.45	3,826.61	3,282.10	3,170.17	2,677.20
Minority Interest		653.56	387.90	320.94	245.77	181.08



<b>NON-CURRENT LIABILITIES</b>					
Long Term Borrowings	7,305.77	6,280.26	5,221.23	4,909.16	2,360.93
Deferred Tax Liabilities [Net]	207.56	218.90	173.77	96.96	54.71
Other Long Term Liabilities	457.78	210.87	204.12	0.00	0.00
Long Term Provisions	196.24	159.44	131.42	89.64	86.53
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>8,167.35</b>	<b>6,869.47</b>	<b>5,730.54</b>	<b>5,095.76</b>	<b>2,502.17</b>
<b>CURRENT LIABILITIES</b>					
Short Term Borrowings	7,991.51	3,069.25	3,780.70	3,253.81	3,192.46

Source : Dion Global Solutions Limited

#### CONSOLIDATED PROFIT & LOSS A/C

<b>PARTICULARS</b>	<b>YEAR 2022 (RS CR)</b>	<b>YEAR 2021 (RS CR)</b>	<b>YEAR 2020 (RS CR)</b>	<b>YEAR 2019 (RS CR)</b>	<b>YEAR 2018 (RS CR)</b>
<b>INCOME:</b>					
SALES TURNOVER	24355.31	19420.82	18849.31	20159.99	16701.75
EXCISE DUTY	0.00	0.00	0.00	0.00	0.00
<b>NET SALES</b>	<b>24355.31</b>	<b>19420.82</b>	<b>18849.31</b>	<b>20159.99</b>	<b>16701.75</b>
OTHER INCOME	35.36	47.22	51.83	27.14	100.18
STOCK ADJUSTMENT	260.40	0.19	-6.73	78.95	-33.96

<b>TOTAL INCOME</b>	24651.07	19468.23	18894.41	20266.08	16406.47
<b>EXPENDITURE:</b>					
RAW MATERIALS	16517.69	12925.65	12310.04	14033.27	11257.60
POWER&FUEL COST	126.81	96.14	112.75	136.59	128.63
EMPLOYEE COST	2124.03	1689.37	1539.35	1432.15	1149.79
OTHER MANUFACTURING EXPENSES	160.71	142.23	154.06	155.03	156.57
SELLING AND ADMINISTRATION EXPENSES	1138.66	986.91	1223.87	1208.18	1370.71
MISCELLANEOUS EXPENSES	1833.66	1359.99	1278.38	1112.90	700.54
LESS: PRE-PAID OPERATIVE EXPENSES	0.00	0.00	0.00	0.00	0.00
<b>TOTAL EXPENDITURE</b>	21901.20	17200.29	1661.45	18078.12	14763.84
<b>OPERATING EXPENSES</b>	2749.87	2267.94	2275.96	2187.96	1642.63

(Source: capital market publisher India Pvt. Ltd.)