

A STUDY ON FINANCIAL PERFORMANCE OF AUTO ANCILLARY COMPANIES WITH SPECIAL REFERENCE TO APOLLO TYRES LIMITED

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Abstract - India has been one of the biggest auto ancillary market employing over five million individuals directly and indirectly and among all those auto ancillary Apollo tyres plays an important role in India. This study aims to analyze the financial performance of Apollo Tyres Limited, a leading Indian tyre manufacturer and supplier, with a specific focus on its performance as an auto ancillary company. The study employs a combination of quantitative and qualitative methods to assess the financial health of the company including profitability, liquidity and solvency ratios. The findings suggest that Apollo Tyres has shown strong financial performance over the years, with steady revenue growth and profitability. However, the company faces challenges related to increasing competition, changing market dynamics, and rising raw material costs. Overall, this study provides valuable insights into the financial performance of Apollo Tyres and its position in the highly competitive auto ancillary industry.

Key words: Auto Ancillary, Financial Analysis, Ratio Analysis, Financial Performance.

INTRODUCTION

Financial performance is the process of identifying the strengths and weakness of the firm by properly establishing relationships between the items of the balance sheet and the profit and loss account. Financial performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. The ratio analysis is the most powerful tool of financial performance. In summary, financial performance is a critical aspect of a company's success and is closely monitored by various stakeholders to evaluate its overall financial health and future prospects. This research aims to explore and analyze the financial

performance of Apollo Tyres Limited within the auto ancillary industry.

STATEMENT OF THE PROBLEM

In today's advanced world, as a part of auto mobile industry, the auto ancillary companies play a vital role in India's GDP. In this scenario, it becomes crucial to study about the financial performance of auto ancillary company which is the major contributor of auto mobile industry. The problem is to determine the financial ratio analysis and to earn sufficient profitability to manage the proper functioning of Apollo tyres Ltd. Indian automobile industry in the context of uncertainty in market with increase in operating and financial costs, analysis of financial performance is deemed to be a perfect fit to focus the core areas on liquidity, profitability and solvency to assess the financial soundness of the Apollo Tyres Ltd under the study. It is imperative to study the financial performance of this sector to guide the future policymakers to decide whether to continue, increase, or reduce or to drop the importance and assistance given to this sector

SCOPE OF THE STUDY

The study covers the period of FY 2017-2018 to FY 2021-2022 for analyzing the financial performance. The study mainly focuses on liquidity, solvency and profitability position of auto ancillary company namely Apollo tyres ltd.

OBJECTIVES OF THE STUDY

- To study about the financial performance of auto ancillary companies in India with special reference to Apollo Tyres Ltd.

- To identify the profitability and liquidity position of Apollo tyres limited.

DATA ANALYSIS AND INTERPRETATION

REVIEW OF LITERATURE

- **Dr. Manisha M. Barad and Krupali P. Thakkar (2021)**, studied on the topic entitled “A comparative study on financial performance analysis of selected tyre companies in India”. The study covered period of 5 years from 2016-2017 to 2020-2021. The researchers had used to secondary data and various tools like ANOVA test, ratio analysis, profitability, etc., The data reveals that there is a substantial variation in gross profit ratio, net profit ratio, current ratio, quick ratio, inventory turnover ratio among chosen tyre business.
- **Vyas Krishna Ashutoshbai (2019)**, made a study and titled “An Analysis of profitability and liquidity position of selected auto ancillaries companies of India”. The study covers a period of 5 years from 2009-10 to 2013-14 on five auto ancillary companies manufacturing tyres. The researcher had examined the significant relationship between capital structure and profitability. The researcher had used secondary data and various tools like ANOVA test and trend analysis using graph.

METHODOLOGY OF THE STUDY

The research design for the study is descriptive and analytical in nature. The study is about financial performance so it deals with secondary data. The required data were collected from the published annual report of Apollo Tyres Limited.

TOOLS

- ✓ Ratio analysis
 - Liquidity Ratio
 - Profitability Ratio
 - Solvency Ratio
 - Activity Ratio

TABLE-1

TABLE SHOWING CURRENT RATIO

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2017-2018	2532.16	3059.97	0.8275
2018-2019	3048.55	3055.55	0.9977
2019-2020	2489.91	4232.93	0.5882
2020-2021	4208.89	5688.16	0.7399
2021-2022	3985.30	5873.95	0.6784

(Source: Secondary Data)

INTERPRETATION

The rule of thumb for current ratio shall be 2:1. The highest current ratio was in the year 2018-2019 with the ratio of 0.99. The lowest current ratio was in the year 2019-2020 with the ratio of 0.59.

TABLE-2

TABLE SHOWING QUICK RATIO

YEAR	QUICK ASSETS	CURRENT LIABILITIES	RATIO
2017-2018	810.67	3059.97	0.2649
2018-2019	997.07	3055.55	0.3263
2019-2020	681.66	4232.93	0.1610
2020-2021	2132.29	5688.16	0.3748
2021-2022	1521.41	5873.95	0.2590

(source: Secondary data)

INTERPRETATION

The rule of thumb for quick ratio is 1:1. The highest quick ratio was in the year 2020-2021 with the ratio of 0.37. The lowest quick ratio was in the year 2019-2020 with the ratio of 0.16.

TABLE-3

TABLE SHOWING PROFITABILITY RATIO

YEAR	NET PROFIT	NET SALES	RATIO
2017-2018	622.39	10,299.70	6.0427
2018-2019	592.11	12,353.77	4.7929
2019-2020	508.62	11,062.03	4.5978
2020-2021	722.82	11,733.40	6.1603
2021-2022	261.06	14,649.40	1.7820

(source: Secondary data)

INTERPRETATION

The table indicates the net profit ratio of Apollo Tyres Limited. The highest net profit ratio was in the year 2020-2021 with the ratio of 6.16%. The lowest net profit ratio was in the year 2021-2022 with the ratio of 1.78%.

FINDINGS AND CONCLUSION

FINDINGS

The standard ratio of current ratio is 2:1 and the company’s highest current ratio is 0.99 in the year 2018-2019. It is not growing every year so it is not satisfactory. The standard ratio of Quick ratio is 1:1 and the company’s highest 0.37 in the year 2020-2021 so it is not satisfactory. Net profit ratio of the company was highest 6.16 in the year 2020-2021 and lowest 1.78 in the year 2021-2022. It is not growing every year so it is not satisfactory.

CONCLUSION

After the study of financial performance of Apollo tyres limited from various financial aspects like profitability, liquidity and activity, it can be concluded that profitability position of the company is more or less depends upon the better utilisation of resources, decreased expenses etc., As in case of liquidity ratios, current ratio and quick ratio was unable to even touch the ideal ratio, thus it has to increase short term liquidity to pay off its current dues. We can see the downfall of the company but it is expected as it is such a big company looking at all the five years, 2021 is considered as the best financial year out of all five years. If the company manages its revenue from sales and assets, it is expected to recover from the loss.

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WEBSITE

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