

## FINANCIAL PERFORMANCE FOR TVS MOTER LIMITED

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### **ABSTRACT**

The financial performance analysis is an important thing for the company to be done, used to manage and evaluate management performance so that it can obtain an overall representation of the company's financial position. The purpose of this study is to find out the financial performance of TVS motor company limited for the period 2018-2019 .The method of financial statement analysis involved several financial ratios, such as liquidity, leverage, shares Dividends, net worth value, profitability, and activity ratio. The samples in this study were TVS Motors manufacturing companies of the basic industries in the 2018-2019period. The results of this study indicate a downward trend in financial performance of TVS Motors manufacturing companies of the basic industries for the period 2018-2019. This is supported by the ratio calculation used in this study.

**Keywords:** Net worth Ratio, earning Profit Ratio, Profitability Ratio, Equity Ratio, , Financial Ratio, Financial Performance, trend ratio.

### **INTRODUCTION**

**Financial analysis** refers to an assessment of the viability, stability and profitability of a business, sub-business or project. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decisions on:

- Continue or discontinue its main operation or part of its business;
- Make or purchase certain materials in the manufacture of its product;
- Acquire or rent/lease certain machineries and equipment in the production of its goods;

- Issue stocks or negotiate for a bank loan to increase its working capital;
- Make decisions regarding investing or lending capital;
- Other decisions that allow management to make an informed selection on various alternatives in the conduct of its business.

### **Trend Analysis**

Trend Analysis is the practice of collecting information and attempting to spot a pattern, or *trend*, in the information. In some fields of study, the term "trend analysis" has more formally defined meaning. Although trend analysis is often used to predict future events, it could be used to estimate uncertain events in the past, such as how many ancient kings probably ruled between two dates, based on data such as the average years which other known kings reigned.

An aspect of technical analysis that tries to predict the future movement of a stock based on past data. Trend analysis is based on the idea that what has happened in the past gives traders an idea of what will happen in the future. There are three main types of trends: short-, intermediate- and long-term.

### **Ratio analysis**

Ratio analysis is a process of determining and interpreting relationship between

the items of financial statements to provide a meaningful understanding of the performance and financial position of the enterprise. Ratios are calculated from current year numbers and are then compared to previous years, other companies, the industry, or even the economy to judge the performance of the company. Ratio analysis is predominately used by proponents of fundamental analysis.

### **SCOPE OF THE STUDY:**

The process of evaluating businesses, projects, budgets and other finance-related entities to determine their suitability for investment. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid, or profitable enough to be invested in. When looking at a specific company, the financial analyst will often focus on the income statement, balance sheet, and cash flow statement. In addition, one key area of financial analysis involves extrapolating the company's past performance into an estimate of the company's future performance. An attempt is made analysis the financial Performance of TVS Company over a period of Ten years. Here Financial operational factors and company opportunity are considered. Growth potential assessed competitive or technological threads and financial highlights for past Ten year are also considered. Financial analysis in Tools like Trend and Ratio Analysis

were made to assess the Liquidity turnover and profitability position of the company.

### **STATEMENT OF THE PROBLEM:**

For every business there may be a strategy to increase the profitability. Unless following a good strategy, that will be a resulted in failure of the business. Financial ratios are calculated from one or more pieces of information from a company's financial statements. financial ratio can give a financial analyst an trend analysis, ratio analysis of a company's situation and the trends that are developing. Analysis done by the management to assess the financial health of the organization and its operational efficiency is called internal analysis. Analysis carried out by parties external to the organization such as investors, credit rating agencies, government agencies etc. is called external analysis. Horizontal analysis compares financial data over a number of years to analyze the trend. Vertical analysis is based on the financial data of a particular year. Inter-firm analysis compares financial variables of two or more firms to get an idea of their relative competitive position. Intra-firm analysis compares the performance of different units of the same firm. So this study tries to analyze the financial performance of the company to avoid the business losses.

### **OBJECTIVES:**

The study on Financial Analysis of TVS MOTOR COMPANY LIMITED has the main

objective of analysis the Financial Performance of TVS Company Chennai however the following specific Objectives were also considered.

- To know the financial position of the company
- To study the trend and ratio analysis of financial position of the company
- To find out the liquidity, solvency, capital structure and profitability position of the company
- To give suggestion for the improvement of the financial performance

### **METHODOLOGY**

#### **Nature of data:**

The data required for the study has been collected from secondary source. The relevant information were taken from financial high lights, journals and internet.

This study is based on the Ten Years Financial Highlights.

#### **Tools Applied**

To have a meaningful analysis and interpretation of various data collected, the following tools were made for this study.

- ❖ Trend Analysis
- ❖ Ratio Analysis

### **LIMITATION OF THE STUDY**

The study TVS MOTOR COMPANY LIMITED has the following Limitation.

There are certain limitations of the Financial analysis techniques and they should be kept in mind while using them in interpreting financial statements.

- False Results in Accounting ratios are based on data drawn from accounting records. Hence it has own limitations.
- Price level changes often make the comparison of figures difficult over a period of time.

## CONCEPTUAL FRAME WORK

### MOTOR CYCLE

A **motorcycle** (also called a **motorbike**, **bike**, **motor** or **cycle**) is a two or three wheeled motor vehicle. Motorcycle design varies greatly to suit a range of different purposes: longdistance travel,navigating urbantraf fic, cruising, sport, racing and off-road riding.

Motorcycles are one of the most affordable forms of motorized transport and, for most of the world's population, they are the most familiar type of motor vehicle. About 200 million motorcycles, including mopeds, motor scooters, motorized bicycles, and other powered two and three-wheelers, are in use worldwide, or about 33 motorcycles per 1000 people. By comparison, there are around 590 million cars in the world, or about 91 per 1000 people, with

about one third (195 million) in service in Japan and the United States.

Most of the world's motorcycles, 58%, are in the developing countries of Southern and Eastern Asia, and the Asia Pacific, excluding Japan which is one of the world's major car users. In 2006, China had 54 million motorcycles in use and an annual production of 22 million units. As of 2002, India had an estimated 37 million motorcycles and mopeds. The first commercial design for a self-propelled bicycle was a three-wheel design called the Butler Petrol Cycle, conceived of and built by Edward Butlerin England in 1884. He exhibited his plans for the vehicle at the Stanley Cycle Show in London in 1884, two years earlier than Karl Benz invented his first automobile who is generally recognized as the inventor of the modern automobile. Butler's vehicle was also the first design to be shown at the 1885International Inventions Exhibition in London.

### First motorcycle companies

In 1894, Hildebrand &Wolfmüller became the first series production motorcycle, and the first to be called a motorcycle (German:*Motorrad*). Excelsior Motor Company, originally a bicycle manufacturing company based in Coventry, England, began production of their first motorcycle model in 1896. The first production motorcycle in the US

was the Orient-Aster, built by Charles Metz in 1898 at his factory in Waltham, Massachusetts. In the early period of motorcycle history, many producers of bicycles adapted their designs to accommodate the new internal combustion engine.

As the engines became more powerful and designs outgrew the bicycle origins, the number of motorcycle producers increased. Many of the nineteenth century inventors who worked on early motorcycles often moved on to other inventions. Daimler and Roper, for example, both went on to develop automobiles.

At the turn of the century the first major mass-production firms were set up. In 1898, Triumph Motorcycles in England began producing motorbikes, and by 1903 it was producing over 500 bikes. Other British firms were Royal Enfield, Norton and Birmingham Small Arms Company who began motorbike production in 1899, 1902 and 1910,

respectively. Indian began production in 1901 and Harley Davidson was established two years later. By the outbreak of the First World War, the largest motorcycle manufacturer in the world was Indian, producing over 20,000 bikes per year.

### ***Types of motor cycle***

There are three major types of motorcycle: street, off-road, and dual purpose. Within these types, there are many different sub-types of motorcycles for many different purposes. Street bikes include cruisers, sport bikes, scooters and mopeds, and many other types. Off-road motorcycles include many types designed for dirt-oriented racing classes such as motocross and are not street legal in most areas. Dual purpose machines like the dual-sport style are made to go off-road but include features to make them legal and comfortable on the street as well. Each configuration offers either specialized advantage or broad capability, and each design creates a different riding posture.

## **TVS MOTOR COMPANY LIMITED**

### **FINANCIAL HIGHLIGHTES**

( Rupees in crores)

DETAILS	2017- 2018	2016- 2017	2015- 2016	2014- 2015	2013- 2014	2012- 2013	2011- 2012	2010- 2011	2009- 2010	2008- 2009
Sales & other income	7089	7163	6324	4485	3741	3310	3921	3306	2955	2856
Profit before interest, depreciation, tax	461	520	491	304	247	219	254	318	332	316
Profit before tax	254	316	248	76	31	35	91	168	200	215
Profit after tax	116	249	195	88	31	32	67	117	138	138
Net fixed assets	1048	1078	995	983	1036	1043	1003	794	770	704
Share capital	48	48	48	24	24	24	24	24	24	24
Reserves and surplus	1177	1122	952	842	786	798	786	742	655	551
Net worth	1225	1170	999	835	735	769	751	673	614	562
Total borrowings	635	831	768	1003	906	666	634	385	187	119
Earnings per share	2.44	5.24	4.10	1.86	0.66	0.67	1.40	2.47	2.90	2.92
Dividend per share	1.20	1.30	1.10	1.20	0.70	0.70	0.85	1.30	1.30	1.30
Book value per share	25.52	24.38	20.81	17.40	15.32	16.02	15.65	14.02	12.79	11.71

EBITDA/turnover (%)	6.5	7.3	7.4	6.8	6.6	6.6	6.5	9.6	11.2	11.1
Profit before tax	3.6	4.4	3.9	1.7	0.8	1.1	2.3	5.1	6.8	7.5
Return on capital employed	14.7	19.0	16.4	8.0	5.6	2.8	10.4	18.3	23.8	30.1
Return on net worth	9.7	23.0	21.3	11.2	4.1	4.1	9.2	18.0	23.4	28.1

## **RATIO ANALYSIS**

### **PROFITABILITY RATIOS:**

The primary objective of a business undertaking is to earn profits. Profits earning is considered essential for the survival of the business. In the words of Lord Keynes, Profit earning is the engine that drives the business enterprise. A business needs profits not only for its existence but also for expansion and diversification. The investors want an adequate return on their investments, workers want higher wages, creditors want higher security for their interest and loan and so on. A business enterprise can discharge its obligations to the various segments of the society only through earning of profits. Profits are, thus a useful measure of over all efficiency of a business. Profit to the management are the test of efficiency and a measurement of control, to owners, a measure of

worth of their investment to the creditors, the margin of safety to employees a source of fringe benefits to government, Generally, profitability ratios are calculated either in relation to sales or in relation to investment.

### **NET PROFIT RATIO:**

Net Profit ratios establishes a relationship between net profit (after taxes) and sales, and indicates the efficiency of the management in manufacturing, selling, administrative and other activities of the firm. This ratio is the over all measure of firm profitability and is calculated as

$$\text{Net Profit Ratio} = \frac{\text{Net Profit After Tax}}{\text{Sales}} \times 100$$



### NET FIXED ASSETS TURNOVER RATIO:

Fixed assets turnover is the relationship between sales or cost of goods sold and fixed/capital assets employed in a business. Working capital turnover ratio indicates the velocity of the utilization of net working capital

$$\text{Net fixed assets turnover ratio} = \frac{\text{Sales}}{\text{Fixed assets}} \times 100$$

### RETURN ON INVESTMENT RATIO:

Return on investment popularly known as return on share holder proprietors fund is the relationship between net profits after interest & tax and proprietors fund. Thus,

$$\text{Return on investment} = \frac{\text{Profit after tax}}{\text{Net worth}} \times 100$$

### DEBT EQUITY RATIO:

The Debt equity ratio is determined to ascertain in the soundness of the long term financial policies of the company. It is also known as External – Internal equity ratio.

$$\text{Debt equity ratio} = \frac{\text{Total Borrowing}}{\text{Share capital}} \times 100$$

### EARNING PER SHARE RATIO:

Earnings per share is a small variation of return on equity capital and is calculated by dividing the net profit after taxes and preference dividend by the total number of equity shares. thus,

$$\text{Earning per share} = \frac{\text{Net Profit after Tax} - \text{Preference Dividend}}{\text{No of Equity Share}} \times 100$$

### DIVIDEND RATIO:

Share holders are the real owners of a company and they are interested in real sense in the earnings distributed and paid to them as dividends. Therefore, dividend ratio calculated to evaluate the relationship between dividend per share paid and the market value of the share.

$$\text{Dividend per share} = \frac{\text{Dividend}}{\text{Paid to Share holders}} \times 100$$

Number of share

### BOOK VALUE RATIO:

Book Value per share indicates the networth per equity share capital and the ratio of market value to book value may be used to analyses is stock market position.

$$\text{Book value per share} = \frac{\text{Equity share capital} - \text{Accumulated losses}}{\text{Number of share}} \times 100$$



Total Number of  
Equity shares

decline trend. During 2017-2018 again there is steep declining trend.

## FINDINGS OF THE STUDY

The study is related to the Analysis of Financial Performance of TVS Motor Company Limited over a period of Ten years From 2009-2010 to 2018 - 2019. Tools of Financial analysis like, Trend and Ratio analysis were used to find the performance of Sales and other income, Profit after tax, Net fixed assets, Share Capital, Net worth, Total Borrowing, Earning per share, Dividend per share, Book value per share, Return on capital employed, and Return on net worth, during the period of the study.

### TREND OF SALES & OTHER INCOME

It is found that in the first three year, sales & other income is in increasing trend. In 2007-2008 shows steep decline trend. But 2009-2010 to 2011-2014, there is again a growth trend. In 2016-2017 also the sales & other income are increasing in a declining trend. During 2017-2018 again there is steep declining trend .

### TREND ANALYSIS

#### PROFIT AFTER TAX

It is found that in the year 2008-2009 to 2010-2011 profit after tax is in decreasing trend. From 2011-2012 to 2013-2014 Increasing trend. But 2014-2015, also profit after tax is increasing in a

### TREND ON NET FIXED ASSETS

It is found that in the first four year, net fixed assets in increasing trend, but 2005-2006 and 2007-2008 is increasing in a decreasing trend. In 2010-2011 and 2012-2013 it show that steep declining trend. From 2014-2015 to 2016-2017, there is again a growth trend. During 2017-2018 again there is steep declining trend.

### TREND ON SHARE CAPITAL

It is found that in the there is no change in the share capital structure 2009-2010, 2014-2015, 2016- 2017 in the year the share capital increased by 100% , During 2016-2017 to 2017-2018 again there is no changes.

### TREND ON NET WORTH

but 2017-2018 there is again increasing in a declining trend.

### TREND ON TOTAL BORROWING

During 2016-2017 to 2017-2018 there is steep declining trend.

### TREND ON EARNING PER SHARE

. During 2017-2018 again there is steep declining trend.

## **TREND ON DIVIDEND PER SHARE**

there is increasing trend 2017-2018 again  
there is steep declining trend.

## **TREND ON BOOK VALUE PER SHARE**

But 2017-2018 increasing trend in a  
declining trend.

## **TREND ON RETURN ON CAPITAL EMPLOYED**

During 2017-2018 again there is steep declining  
trend.

## **TREND ON RETURN ON NET WORTH**

During 2017-2018 again there is steep  
declining trend.

## **RATIO ANALYSIS**

It is used to found out the profitability activity  
and solvency positions of the business. Thus Net  
profit, fixed assets turnover ratio, Return on  
Investment, Debt equity ratio, Earning per share,  
Dividend per share, Book value per share, are  
calculated.

## **NET PROFIT**

the ratio is increase however during 2017 – 2018  
the profitability again reduced.

## **FIXED ASSTES**

. During 2009 – 2010 to 2017 - 2018 the  
again increase.

## **RETURN ON INVESTMENT**

Return on Investment ratios during the  
period of 2009 - 2010 to 2011 – 2012 the ratio  
shows a steep decrease. From 2012– 2013to 2013  
– 2014 the ratio is increase however during 2018  
– 2019 the Return on Investment again reduced.

## **DEBT EQUITY**

Debt equity ratios during the period of 2009 -  
2010 to 2011 – 2012 the ratio showsa increase.  
From 2012 – 2013 the ratio is decrease however  
during 2014 – 2015 increase, 2017 - 2018 the  
Debt equity again reduced .

## **EARNING PER SHARE**

Earnings per share ratios during the period of  
2003 - 2004 to 2009 – 2010 the ratio shows a  
steep decrease. From 2014 – 2015 to 2016 – 2017  
the ratio is increase however during 2017 – 2018  
the Earnings per share again reduced .

## **DIVIDEND PER SHARE**

Dividend ratios during the period of 2009 -  
2010 to 2010– 2011 the ratio shows a no changes,  
from 2011 – 2012 to 2013 – 2014is steep  
decrease. From 2014 – 2015 increase, 2015 –  
2016 is decrease. 2016 – 2017 the ratio is

increase however during 2017– 2018 there is again reduced .

### BOOK VALUE PER SHARE

Book value ratios during the period of 2010 - 2011 to 2011 – 2012 the ratio shows a increase. In 2010 – 2011 the ratio is decrease however during 2009 - 2010 to 2017– 2018 here is again increase.

### SUGGESTIONS OFFERED:

The following Suggestion are offered by further improvement of Profitability position, Solvency position, and Activity position.

- ❖ The Company should reduce its creditor's payment period. This in turn will increase the confidence of the suppliers and increase its credit worthiness in the industry.
- ❖ Hence it can go for further expansion of its business ensuring optimum utilization of its resources and resulting in an increase in sales.
- ❖ The firm should also provide cash discount for customer making prompt payment. This will facilitate credibility of the funds of the company.
- ❖ The Company should go for capacity expansion of its plants and ensure that plant capacity is utilized to the

maximum possible. For this company should implement effective operations management and there should be a check at every stage of the manufacturing process.

- ❖ To improve the current asset and fixed asset proportion the company should adopt a credit management policy in which the collection period as well as the payment period is kept under check. This will facilitate the company in running its day to day activities with a lower amount of working capital. The funds available can be utilized towards fixed assets which are essential for the growth of a manufacturing.
- ❖ Furthermore, its planned expansion into exports of vehicles and components could open up a new revenue source
- ❖ Increased competition from the entry of foreign player may impact its market share and demand high investment in research and development and high end technology. So the company must prepare for it.
- ❖ The key to sustain competition during a down cycle lies in diversification, so the company should keep the options open for diversification.

**CONCLUSION:**

The study on analysis of Financial Performance of the TVS motor company limited is made to evaluate so that the Financial Performance of the company over a decided. The trend of growth of Indicators sales, Profitability for further development of TVS motor company limited. Return on Investment, Earning per share, and were analyses for an overall developed of the company suggestion were offered. The concern is

offering more and more employment opportunity. It they start new Innovative products in their product line it will increases the balanced development of the company.

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