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A STUDY ON FINANCIAL ANALYSIS OF HERO MOTORS IN MADURAI

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ABSTRACT:

This study presents a comprehensive financial analysis of Hero Motors Madurai, a prominent player in the automotive industry. Through an in-depth examination of the company's financial statements, key financial ratios, and performance indicators, this analysis aims to provide insights into the company's financial health, profitability, liquidity, and efficiency. Various financial tools and techniques are employed to evaluate Hero Motors Madurai's financial performance and assess its competitive position within the industry. The findings of this study contribute to a better understanding of the company's financial standing and may inform strategic decision-making processes for stakeholders, investors, and management.

KEYWORDS:

HERO MOTORS MADURAI, FINANCIAL ANALYSIS, AUTOMOTIVE INDUSTRY, FINANCIAL RATIOS, PERFORMANCE INDICATORS, PROFITABILITY, LIQUIDITY, EFFICIENCY, STRATEGIC DECISION-MAKING, STAKEHOLDERS, INVESTORS, MANAGEMENT.

1.1 INTRODUCTION

Hero Motors Madurai, a subsidiary of Hero MotoCorp Limited, is a prominent player in the automotive industry, particularly in the two-wheeler segment. This study delves into the financial analysis of Hero Motors Madurai, aiming to provide insights into its financial health, performance, and strategic direction. By analyzing key financial metrics and ratios, this study seeks to evaluate the company's profitability, liquidity, efficiency, solvency, and overall financial stability.

Hero Motors Madurai operates in a dynamic and competitive market characterized by evolving consumer preferences, regulatory changes, and technological advancements. Understanding the financial standing of the company is crucial for various stakeholders, including investors, analysts, creditors, and management, as it aids in decision-making, risk assessment, and strategic planning.

The study employs various financial analysis techniques, including ratio analysis, trend analysis, and comparative analysis, to assess Hero Motors Madurai's financial performance over a specified period. Additionally, it considers industry benchmarks and macroeconomic factors to contextualize the findings and draw meaningful conclusions.

The findings of this study are expected to provide valuable insights into Hero Motors Madurai's financial position, identify areas of strength and weakness, and offer recommendations for improvement. Ultimately, this analysis aims to contribute to a comprehensive understanding of Hero Motors Madurai's financial landscape and facilitate informed decision-making by stakeholders.

1.2 NEED OF THE STUDY

A study on the financial analysis of Hero Motors in Madurai is essential for several reasons. Firstly, it provides valuable insights into the company's financial health, including its profitability, liquidity, and solvency. This information is crucial for investors, enabling them to make informed decisions about investing in the company's stock. Additionally, the study helps management evaluate the effectiveness of their strategies and identify areas for improvement. It also aids in benchmarking Hero Motors' performance against industry standards and competitors, facilitating strategic planning and enhancing competitiveness. Furthermore, regulatory compliance and stakeholder communication are enhanced through transparent financial analysis.

1.3 STATEMENTOFTHEPROBLEM

The financial analysis of Hero Motors Madurai presents a multifaceted problem encompassing several key aspects. The primary concern revolves around evaluating the company's financial performance, encompassing profitability, liquidity, efficiency, and solvency, against industry benchmarks and historical data. Additionally, understanding the factors driving fluctuations in financial metrics over time and discerning their implications for the company's future sustainability and growth trajectory poses a significant challenge.

1.4 SCOPEOFTHESTUDY

The scope of this study on the financial analysis of Hero

Motors Madurai encompasses an in-depth examination of the company's financial statements, including balance sheets, income statements, and cash flow statements, over a specified period. The analysis will focus on key financial metrics and ratios to assess the company's profitability, liquidity, efficiency, and solvency.

1.5 OBJECTIVESOFTHESTUDY

- ✓ Compare Hero Motors' financial performance over multiple periods to identify trends and patterns.
- ✓ Identify Hero Motors' financial strengths and weaknesses, including areas where the company is performing well and areas that may require improvement.

1.6 RESEARCHMETHODOLOGY

Research methodology is a process that is used to identify, select, process and analyze information. It involves studying the methods that are being used in the field of examination. The secondary data of HERO MOTORS is used for the study.

TOOLSUSED

The tools and methods used in the project are

1. CASH FLOW ANALYSIS:

As they say in finance, cash is king, and, thus, a big emphasis is placed on a company's ability to generate cash flow. Analys tsacross a wide range of finance careers spend a great deal of time looking at companies' cash flow profiles.

2.TRENDANALYSIS

Trend analysis is a technique used in technical analysis that attempts to predict future stock price movements based on recently observed data. It is based on the idea that what has happened in the past gives traders an idea of what will happen in the future.

3. LIMITATIONS

- ➢ The study may need to make certain assumptions or simplifications in the financial analysis process, which could affect the accuracy and generalizability of the findings.
- ➢ The study may be limited by time constraints, preventing a more extensive analysis or longitudinal study of Hero Motors Madurai's financial performance over multiple periods.

1.7 REVIEWOFLITERATURE

1.8 **Sharma et al. (2020)** reviewed literature on financial distress and bankruptcy prediction models specific to the automotive industry, assessing the predictive accuracy and practical implications of different methodologies.

1.9 **Chen et al. (2020)** investigated the relationship between corporate governance practices and financial reporting quality in automobile companies, analyzing the impact of board structure, audit committee effectiveness, and internal controls on financial transparency and accuracy.

2. PROFILE OF THE STUDY

Financial performance analysis is the process of reviewing and analyzing a company's financial statements to make a better economic decision to earning come in the future.

RATIOANALYSIS

Financial ratio analysis is a quantitative tool that businesses use to collect valuable insights into a business firm's profitability, solvency, efficiency and liquidity. Ratio analysis provides information to businesses by analyzing the data contained in the firm's in come statement, balance sheet and statement of cash flows. Cash flow ratios are applied.

OVERVIEWOFTHECOMPANY:

Hero Motors Madurai is a subsidiary of Hero MotoCorp Limited, one of the largest manufacturers of two-wheelers globally. Located in Madurai, Tamil Nadu, India, the company plays a significant role in the automotive industry, particularly in the production of motorcycles and scooters. Hero Motors Madurai operates within a dynamic market characterized by changing consumer preferences, technological advancements, and intense competition. As part of the Hero MotoCorp group, the company upholds a commitment to innovation, quality, and customer satisfaction.

ANALYSISANDINTERPRETATION

1.CURRENT LIABILITY COVERAGE RATIO:

FORMULA

Net cash from operating activities/Average current liabilities

TABLE.1.CURRENT LIABILITY COVER AGE RATIO

YEAR	NET CASH FROM OPERATION ACTIVITIES	AVG. CURRENT LIABILITIES	CURRENT LIABILITY COVER AGE RATIO
2015-16	3913.79	3966.12	0.987
2016-17	4082.02	3770.83	1.083
2017-18	3980.86	4218.33	0.944
2018-19	979.05	4236.84	0.231
2019-20	5410.10	4053.21	1.335

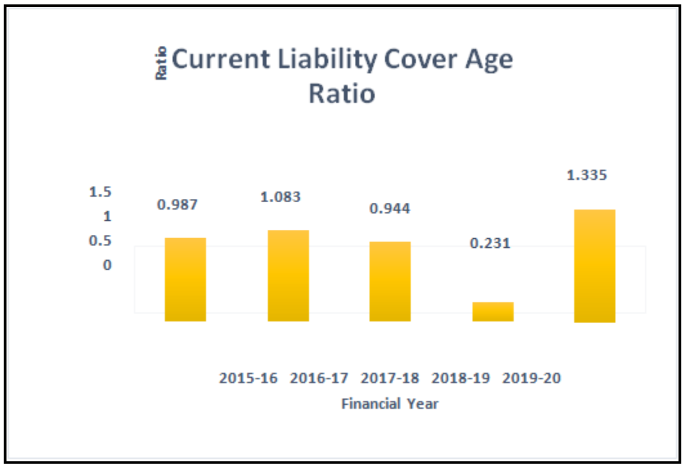

FIGURE.1.CURRENT LIABILITY COVER AGE RATIO

INTERPRETATION

The current liability coverage ratio measures the liquidity of the business. From the above table, current liability coverage ratio is the highest with 1.335 in 2019-20 and least in the financial year 2018-19 with 0. 231.The graph shows that the current liability coverage ratio is fluctuating.

2. CASH FLOW MARGIN RATIO:

FORMULA

Cash flow from operating activities/Net sales

TABLE.2.CASH FLOW MARGIN RATIO

Year	Cash flow from operating Activities	Net Sales	Cash flow margin ratio
2015-16	3913.79	28,599.3	13.7%
2016-17	4082.02	30,846.12	13.2%
2017-18	3980.86	32,871.82	12.1%
2018-19	979.05	33,650.54	2.9%
2019-20	5410.10	28,836.09	18.8%

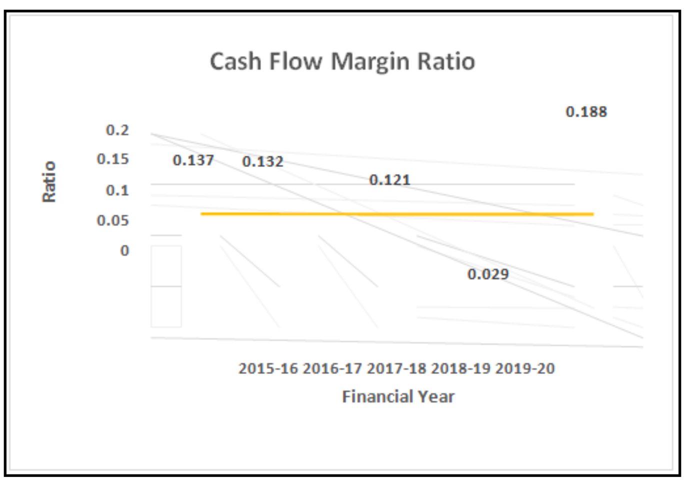

FIGURE.2.CASH FLOW MARGIN RATIO

INTERPRETATION:

From the above table the cash flow margin ratio is the highest with 0.188 in the financial year 2019-20 and the least with 0.029 in the financial year 2018-19. The cash flow margin ratio has been fluctuating with huge difference in the financial year 2018-19.

3. CASH FLOW COVER AGE RATIO:

FORMULA

Cash flow from operations/Total debt

TABLE.3.CASH FLOW COVER AGE RATIO

Year	Sales (Rs. In crores)	Trend (in %)
2015-16	30,700.88	100%
2016-17	30,871.82	100.56%
2017-18	32,871.82	107.07%
2018-19	33,650.54	109.61%
2019-20	28,836.09	93.93%

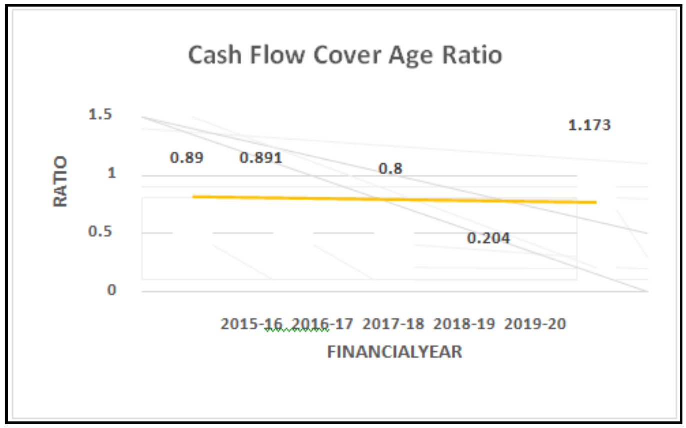

FIGURE.3.CASH FLOW COVER AGE RATIO

INTERPRETATION

From the above table cash flow coverage ratio is the highest with 1.173 in the financial year 2019-20 and the least with 0.204 in the financial year 2018-19. The ratio has been nearly constant for the financial years 2015-16to2017-18 and has dropped significantly in the financial year2018-19.

TRENDANALYSIS:

Trend analysis provide same ans to analyze company data over a period of time by focusing on the change in specific line items within the income statement and balance sheet. Changes are typically measured in percentages.

SALESTRENDANALYSIS:

The sales trend analysis has been performed on the financial statement with base year taken as financial year 2015-16.

FORMULA

(Current year sales/Base year sales)*100

TABLE.4.SALES TREND

YEAR	SALES(RS.INCRORE)	TREND (IN %)

2015-16	30,700.88	100%
2016-17	30,871.82	100.56%
2017-18	32,871.82	107.07%
2018-19	33,650.54	109.61%
2019-20	28,836.09	93.93%

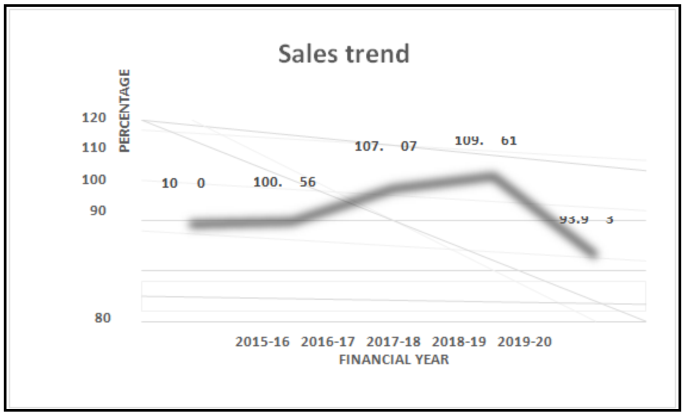

FIGURE.4. SALES TREND

INTERPRETATION

The above table shows that the sales has been the highest with 33,650.54 in the financial year 2018-19 and the least with 28,836.09 in the financial year 2019-20. The trend shows that the sales has been gradually increasing from the financial year 2015-16 to 2018-19 and there is a decrease in trend in the financial year 2019-20.

WORKINGCAPITALTRENDANALYSIS:

The working capital trend analysis has been performed on the financial statement with base year taken as financial year 2015-16.

FORMULA

(Current year working capital/Base year working capital)*100

TABLE.5.WORKING CAPITAL TREND

YEAR	WORKING CAPITAL (RS.INCRORES)	TREND(IN %)
2015-16	2,702.90	100%
2016-17	3,359.85	124.31%
2017-18	4,504.86	166.67%
2018-19	3,985.28	147.44%
2019-20	4,312.50	159.55%

INTERPRETATION:

The above table shows that the working capital is the highest with 4504.86 in the financial year 2017-18 and the least with 2702.9 in the financial year 2015-16. The trend shows a gradual increase from the financial year 2015-16 to 2017-18 and the trend shows a decrease in 2018-19 and again increased in 2019-20.

FINDINGS

- The net cash balance, current liability cover age ratio, cash flow margin ratio, cash flow cover age ratio is fluctuating in the 5 years.
- The sales trend analysis is fluctuating asitis 100.56% in 2016-17, 107.07% in 2017-18, 109.61% in 2018-19, and 93.93% in 2019-20.
- The working capital trend analysis is fluctuating asitis 124.31% in 2016-17, 166.67% in 2017-18, 147.44% in 2018-19, and 159.55% in 2019-20.

SUGGESTIONS:

A study on the financial analysis of Hero Motors in Madurai could benefit from several key suggestions. Firstly, it should focus on analyzing the company's financial statements, including balance sheets, income statements, and cash flow statements, to assess its profitability, liquidity, and financial stability. Secondly, comparative analysis with industry peers and historical performance can provide valuable insights into Hero Motors' competitive position and trend analysis. Additionally, investigating key financial ratios such as return on investment, debt-to-equity ratio, and inventory turnover can highlight areas of strength and areas needing improvement. Moreover, conducting a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis based on financial data can guide strategic decision-making and risk management.

1.7 CONCLUSION

Financial analysis determines a company's health and stability, providing an understanding of how the company conducts its business. But it is important to know that financial statement analysis has its limitations as well. Different accounting methods adopted by different firms' changes the visible health and profit levels for either better or worse. Different analysts may get different results from the same information. Hence, we must conclude that financial statement analysis is only one of the tools (although a major one) while taking an investment decision.

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