A SIGNIFICANCE STUDY ON FINANCIAL PERFORMANCE AND QUALITY ANALYSIS ON DIFFERENT AUTOMOTIVE INDUSTRIES

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ABSTRACT

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The primary objective of financial evaluation bring clear picture of the financial position of a company. The main objective of this study has been undertaken to compare the financial position and performance of major player in two and three wheeler automobile segments by assessing five years balance sheet from 2015 to 2019. In PAT it increased 16.45% from FG18 to FG19. The case study details Bajaj Auto's history and focuses on the company's financial performance. It also gives a note on the Indian automotive industry. This allows students to analyze relationships, common sizes, common bases and DuPont models to aid in the analysis of the business impact assessment of a company, Bajaj Auto Ltd. You can analyze your financial performance. The Secondary Data have been collected from various sources. Different financial ratios and Pearson Correlation Coefficient test have been employed to study the financial performance of Bajaj Auto Limited and Hero Moto Corp Limited.

Keywords: Financial Performance, Liquidity Ratios, Financial Ratios, Profitability Ratios etc.

I. INTRODUCTION

Indian automobile industries are the world fourth largest automobile industries. The automobile industries were segmented by two wheeler, three wheeler and four wheeler. Hero Honda and Bajaj Auto are two major players in two wheeler segment. Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Ashok Leyland are the major player in four wheelers segment. India expect to reach in automobile industries as between Rs.16.16 to 18.18 trillion by 2026. Indian automobile also attracted foreign direct investment value $23.89 billion between April 2000 and December 2019. Two wheeler segment industries is the world largest industries. The Growth of automobile industries and financial performance of automobile industries moves towards positive direction. The automobile industries sold 26.27 million vehicles in FY2019 and also India recorded seven fold jumps in exports in FY2019 in premium motor bikes. These indicate that both industries growth and their financial position moves growth direction [1-18].

II. STATEMENT OF THE PROBLEM

In India Corona virus (COVID – 19) outbreak hits many industries hard. Due to lockdown many industries was shutdown and face big challenges to safe guard financial position. In automobile industries India never faces or recorded Zero sales and Zero production[40][41]. Sales in automobile industries were 17%. In FY2020 has negatively force the automobile industry. To come back or to reach positive the automobile industries must have well in financial position. This study reveals about the two major player of two and three-wheeler automobile industries (Bajaj Auto Limited and Hero Moto Corp Limited) and to compare the financial statement. This study reveals the future growth of India automobile industries.

III. SIGNIFICANCE OF THE STUDY

A financial statement shows the financial strength of the company. This Study carried out major player as Bajaj Auto Limited and Hero Moto Corp Limited to ascertain the financial strength and weaknesses of both the companies. Using the ratio analysis, we have made an effort to break down the financial performance of the
companies to bring clear picture to face challenge COVID-19 periods and future growth of these companies [19-24].

IV. LIMITATION OF THE STUDY
The study is based on companies’ annual financial reports and therefore the results and findings, suggestion and conclusion are subject to all limitations inherent in the published financial reports. Besides, the study is limit to a period of five year only. The study covered two companies’ financial ratio only and not included its impact of COVID – 19 over industries and also to the economy country [25-29].

V. OBJECTIVES
- To Compare and study the financial performance of Bajaj Auto Limited and Hero Moto Corp Limited
- To Compare and Study the liquidity position, profitability position and turnover position between Bajaj Auto Limited and Hero Moto Corp Limited

VI. REVIEW OF LITERATURE
This study is conducted to find the financial position of two retail major players of Australia, Myer Holdings and David Jones. The financial statements were extracted for ten years; from 2009 to 2018. This study also reveals the strength and weakness of Myer Holdings and David Jones during the years of study. The financial performance of IndianTobacco Corporation Limited. In this study the tools (Ratios) used to analyze liquidity, portability, solvency ratios. The study covers from 1st April 2013 to 31st March 2017. The study strongly reveals that the financial performance. Financial position and performance of NEYCER, India. The researcher attempt to analyze the research as entity is stable, solvent, liquid, or profitable enough to be invested in NEYCER INDIA.

VII. RESEARCH DESIGN AND METHODOLOGY
Convenient sampling method was used in selection of Indian automobile industries for this research. The major player in Auto - 2 & 3 Wheelers segment are Hero Moto Corp Limited and Bajaj Auto Limited were selected for this research. Secondary data have been used to collect data from various resources like company’s annual report, journals and various websites.

A. Tools and Techniques for Data Analysis
In this research different ratios have been used like: Profitability ratio, Liquidity ratio and Activity ratio. In this study Pearson Correlation Coefficient has been used to check significant level of Hero Moto Corp Limited and Bajaj Auto Ltd.

VIII. INTERPRETATION

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Mean</th>
<th>Variance</th>
<th>Pearson Correlation Coefficient Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bajaj Auto Ltd.</td>
<td>2.14</td>
<td>1.7</td>
<td>2.95</td>
<td>2.25</td>
<td>1.45</td>
<td>2.098</td>
<td>0.33</td>
<td></td>
</tr>
<tr>
<td>Hero Moto Corp Ltd.</td>
<td>1.35</td>
<td>1.76</td>
<td>1.81</td>
<td>2.01</td>
<td>1.91</td>
<td>1.768</td>
<td>0.06</td>
<td>The value of R is: -0.0581</td>
</tr>
</tbody>
</table>

Interpretation:
- The table revels that current ratio of Bajaj Auto Limited is 2.14% in 2015 which goes down to 1.45% in 2019. On the other side Moto Corp Limited is 1.35% in 2015 which end up in high as 1.91%. This shows that Hero Moto Corp Limited is maintain good and in positive growth direction than Bajaj Auto Limited
- Mean value: Hero Moto Corp Limited is less as compared to that of the Bajaj Auto Ltd., leading to the conclusion that liquidity position of Bajaj Auto Limited is better. On the contrary, lower variance value for Hero Moto Corp Limited current ratio as compared to Bajaj Auto Limited It clearly indicates that Bajaj Auto Limited is more consistent than the Hero Moto Corp Limited
The correlation value is -0.0581 represents negative correlation between both the companies. The shows that weak relationship exist between Bajaj Auto Limited and Hero Moto Corp. Ltd. The P-Value is .926194 and it’s not significant at 5 percent level of significance.

**TABLE II QUICK RATIO**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Mean</th>
<th>Variance</th>
<th>Pearson Correlation Coefficient Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bajaj Auto Ltd.</td>
<td>1.96</td>
<td>1.44</td>
<td>2.72</td>
<td>2.07</td>
<td>1.25</td>
<td>1.888</td>
<td>0.33</td>
<td></td>
</tr>
<tr>
<td>Hero Moto Corp Limited</td>
<td>1.13</td>
<td>1.55</td>
<td>1.64</td>
<td>1.79</td>
<td>1.62</td>
<td>1.546</td>
<td>0.06</td>
<td></td>
</tr>
</tbody>
</table>

**Interpretation:**
- The table revels that quick ratio of Bajaj Auto Limited is 1.96% in 2015 which goes down to 1.25% in 2019. On the other side Hero Moto Corp Limited is 1.13% in 2015 which end up in high as 1.62%. This shows that Hero Moto Corp Limited is maintain good and in positive growth direction than Bajaj Auto Limited.
- The Mean value: Hero Moto Corp Limited is less as compared to that of the Bajaj Auto Limited leading to the conclusion that liquidity position of Bajaj Auto Limited is in better position. Still both the company have achieved quick ratio standard as 1:1. In Variance result, Hero Moto Corp Limited is low compared to Bajaj Auto Limited.
- The r value result is 0.076 it clearly shows that positive association exists among the companies. Although technically a positive correlation, this denote weak association exist between Bajaj Auto Limited and Hero Moto Corp Limited. P-Value is .903327 and it’s not significant at 5 percent level of significance.

**TABLE III Net Profit Margin**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Mean</th>
<th>Variance</th>
<th>Pearson Correlation Coefficient Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bajaj Auto Ltd.</td>
<td>13</td>
<td>17</td>
<td>17.57</td>
<td>15.58</td>
<td>15.13</td>
<td>15.656</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Hero Moto Corp Limited</td>
<td>8.52</td>
<td>10.81</td>
<td>11.28</td>
<td>11.31</td>
<td>10.02</td>
<td>10.388</td>
<td>1.36</td>
<td></td>
</tr>
</tbody>
</table>

**A. Interpretation**
- The table revels that Net Profit Margin of Bajaj Auto Limited is 13 % in 2015 which goes upwards direction as 15.13 % in 2019. On the other side Hero Moto Corp Limited is 8.52% in 2015 which goes upwards direction10.02%. This shows that both Hero Motocorp Ltd and Bajaj Auto Limited is moving positive direction which results in healthy competition among major player.
- Mean value: Hero Moto Corp Limited is less as compared to that of the Bajaj Auto Ltd. leading to the conclusion that Net Profit Margin position of Bajaj Auto Limited is better. On the contrary, lower variance for Hero Moto Corp Limited as compared to Bajaj Auto Limited The Overall result shows that Bajaj Auto Limited earn more net profit margin for the past five years as compared with Hero Moto Corp Limited.
- The r value is 0.881; it clearly shows that positive association exit between the companies. The P-Value is .048389 and its significant at 5 percent level of significance.

**TABLE IV Return on Net worth Equity**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Mean</th>
<th>Variance</th>
<th>Pearson Correlation Coefficient Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bajaj Auto Ltd.</td>
<td>27.26</td>
<td>17</td>
<td>17.57</td>
<td>15.58</td>
<td>15.13</td>
<td>18.508</td>
<td>24.93</td>
<td></td>
</tr>
<tr>
<td>Hero Moto Corp Limited</td>
<td>36.15</td>
<td>35.56</td>
<td>34.74</td>
<td>31.07</td>
<td>26.24</td>
<td>32.752</td>
<td>17.15</td>
<td></td>
</tr>
</tbody>
</table>

**B. Interpretation**
- The table revels that return on net worth equity of Bajaj Auto Limited is 27.26% in 2015 which goes downward direction as 15.13% in 2019. On the other side Hero Moto Corp Limited is 36.15% in 2015 which also goes downward direction as 26.24%. This shows that both Hero Motocorp Ltd and Bajaj Auto Limited is moving
downwards direction which indicate both company must concentrate to minimize liabilities of the company to increase Return on Net worth Equity.

- The Mean value result shows that Hero Moto Corp Limited is less as compared to that of the Bajaj Auto Limited On the contrary, lower variance for Hero Moto Corp Limited as compared to Bajaj Auto Limited The Overall result shows that Bajaj Auto Limited has better Return on Net worth Equity for the past five years which will attract more investors.

- The r value is 0.6112; it clearly shows that moderate positive association exist among both the companies. The P-Value is .273409 and it is not significant at 5 percent level of significance.

C. Return on Total Asset

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Mean</th>
<th>Variance</th>
<th>Pearson Correlation Coefficient Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bajaj Auto Ltd.</td>
<td>18.95</td>
<td>23.55</td>
<td>18.85</td>
<td>16.78</td>
<td>17.08</td>
<td>19.042</td>
<td>7.33</td>
<td></td>
</tr>
<tr>
<td>Hero Moto Corp Limited</td>
<td>22.19</td>
<td>24.36</td>
<td>23.4</td>
<td>21.38</td>
<td>18.61</td>
<td>21.988</td>
<td>4.86</td>
<td>The value of R is 0.7708</td>
</tr>
</tbody>
</table>

D. Interpretation

- The table revels that Return on Total Asset of Bajaj Auto Limited is 18.95% in 2015 which goes downward direction as 17.08% in 2019. On the other side Hero Moto Corp Limited is 22.19% in 2015 which also goes downward direction as 18.61%. This indicate both company must concentrate in Return on Total Asset. But still both companies are in health in Return on Total Asset ratio standards.

- Mean value: Hero Moto Corp Limited is more as compared to that of the Bajaj Auto Limited On the contrary, lower variance for Hero Moto Corp Limited as compared to Bajaj Auto Limited the Overall result shows that Hero Moto Corp Ltd has better return on Total Asset for the past five.

- The r value is 0.7708; it clearly shows that strong positive association among the companies. The P-Value is .127096 and it is not significant at 5 percent level of significance

E. Interpretation

- The table revels that Inventory Turnover Ratio of Bajaj Auto Limited is 26.55% in 2015 which goes upward direction as 31.46% in 2019. On the other side Hero Moto Corp Limited is 31.97% in 2015 which also goes downward direction as 27.19%. This shows that both Bajaj Auto Limited want to concentrate more by managing sales and to replaces its stock of goods during the period.

- The Mean value of Hero Moto Corp Limited is more as compared to that of the Bajaj Auto Limited On the same way variance of Hero Moto Corp Limited also high as compared to Bajaj Auto Limited The Overall result shows that Hero Motocorp. Ltd. has better Inventory Turnover Ratio for the past five. The variance has big difference due to, in 2017 Hero Moto Corp Limited achieved highest as 40.38%. So the company has ability to retain maximum Inventory Turnover Ratio.

- The r value is -0.0089; It clearly shows that a negative association exist among the companies. The P-Value is .989814 and it is not significance at 5 percent level of significance
### TABLE VI Total Assets Turnover Ratio

<table>
<thead>
<tr>
<th>Company Name</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Mean</th>
<th>Variance</th>
<th>Pearson Correlation Coefficient Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bajaj Auto Ltd.</td>
<td>135.38</td>
<td>131.00</td>
<td>100.59</td>
<td>100.3</td>
<td>104.9</td>
<td>114.43</td>
<td>298.87</td>
<td>The value of R is 0.9343</td>
</tr>
<tr>
<td>Hero Moto Corp Limited</td>
<td>258.46</td>
<td>220.66</td>
<td>186.84</td>
<td>186.57</td>
<td>183.58</td>
<td>207.22</td>
<td>1051.7</td>
<td></td>
</tr>
</tbody>
</table>

**F. Interpretation**

- The table reveals that Total Asset Turnover Ratio of Bajaj Auto Limited is 135.38% in 2015 which goes downward direction at 104.9% in 2019. On the other side Hero Moto Corp Limited is 258.46% in 2015 which also goes downward direction as 183.57%. This shows that both Bajaj Auto Limited and Hero Moto Corp Limited want to concentrate more by managing company's assets to generate revenue or sales.
- Mean value: Hero Moto Corp Limited is more as compared to that of the Bajaj Auto Limited. On the same way variance of Hero Moto Corp Limited also high as compared to Bajaj Auto Limited. The Overall result shows that Hero Moto Corp Ltd has better Total Turnover Ratio for the past five when compared to the Bajaj Auto Ltd.
- The r value is 0.9343; this clearly shows that a strong positive association exists among the companies. The P-Value is .020015 and it’s significant at 5 percent level of significance.

### IX. SUGGESTION AND CONCLUSION:

This study is used to compare the financial position and performance of Bajaj Auto Limited and Hero Moto Corp Limited for the period of 2015 to 2019. For clear picture subsequent assessments ratios has been used to find the company’s performance in terms of profitability position, liquidity position, and Turnover position. The liquidity position shows Bajaj Auto Ltd managed better than Hero Moto Corp Limited but still both the companies maintained the liquidity position standard for the past five years. In Profitability Ratio, both the company Net profit margin are growing parallel in same direction which results in healthy position. On the other side Bajaj Auto Limited want to minimize liabilities of the company to increase Return on Net worth Equity. The Turnover ratio show the clear picture that Bajaj Auto Ltd has less Mean value when compared to Hero Moto Corp Limited. Hence both companies has ups and down in financial position. Hence both companies have wealthy financial position to face challenges periods of COVID – 19 and over the future period.

### TABLE VII PERFORMANCE OF VARIOUS MOTORCORPS

<table>
<thead>
<tr>
<th>TOTAL VOLUMES (IN '000)</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>HERO MOTOCORP LTD</td>
<td>6,082</td>
<td>6,246</td>
<td>6,632</td>
<td>6,631</td>
<td>6,638</td>
<td>7,583</td>
<td>4.5%</td>
</tr>
<tr>
<td>BAJAJ AUTO LTD</td>
<td>3,757</td>
<td>3,422</td>
<td>3,292</td>
<td>3,358</td>
<td>3,220</td>
<td>3,343</td>
<td>-2.3%</td>
</tr>
<tr>
<td>TVS MOTORS LTD</td>
<td>1,984</td>
<td>2,000</td>
<td>2,434</td>
<td>2,569</td>
<td>2,858</td>
<td>3,367</td>
<td>11.2%</td>
</tr>
<tr>
<td>HMSI</td>
<td>2,755</td>
<td>3,722</td>
<td>4,406</td>
<td>4,450</td>
<td>4,899</td>
<td>6,092</td>
<td>17.2%</td>
</tr>
<tr>
<td>ROYAL ENFIELD</td>
<td>124</td>
<td>207</td>
<td>330</td>
<td>508</td>
<td>666</td>
<td>820</td>
<td>45.9%</td>
</tr>
<tr>
<td>YAMAHA INDIA</td>
<td>362</td>
<td>207</td>
<td>565</td>
<td>665</td>
<td>791</td>
<td>780</td>
<td>16.6%</td>
</tr>
<tr>
<td>SUZUKI MOTORS INDIA</td>
<td>414</td>
<td>118</td>
<td>343</td>
<td>319</td>
<td>351</td>
<td>528</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Source: Company Reports & Ventura Research

Source: https://ventura1.com
Fig. 1 Bajaj Auto’s Profitability Hurdle (Source: https://livemint.com)

Fig. 2 Best Two-Wheeler Stock (Source: https://marketsmojo.com)

The performance of various motorcorps is shown in table VII, the Bajaj auto’s profitability hurdle is shown in fig 1 and best two wheeler stock is shown in figure 2.

REFERENCES
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