



Financial performance of two vechler industries

(Tvs motors company ltd and mahindra & mahindra ltd)

1.Mr.V.K.Veerakumar PhD Research scholar, Chikkanna Government Arts College,Tirupur.

2.Ms. K.Priya Asst. professor Dept of commerce with CA, Nandha Arts And Science College. Erode-52

E-Mail:priyaakrishna94@gmail.com

Contact number 9942036489

ABSTRACT

Firm performance is a relevant construct in strategic management research and frequently used as a dependent variable. Despite this relevance, there is hardly a consensus about its definition, dimensionality and measurement, what limits advances in research and understanding of the concept. An **income statement** is a **financial statement** that reports a company's **financial performance** over a specific accounting period.**Financial performance** is assessed by giving a summary of how the business incurs its revenues and expenses through both operating and non-operating activities.

INTRODUCTION

A financial statement or financial report is a formal record of the financial activities of a business, person, or other entity. Relevant financial information is presented in a structured manner and in a form easy to understand. They typically include basic financial statements, accompanied by a management discussion and analysis:

1. Statement of financial position: also referred to as a balance sheet, reports on a company's assets, liabilities, and ownership equity at a given point in time.
2. Statement of comprehensive income: reports on a company's income, expenses, and profits over a period of time. A profit and loss statement provides information on the operation of the enterprise. These include sales and the various expenses incurred during the processing state.
3. Statement of cash flows: reports on a company's cash flow activities, particularly its operating, investing and financing activities.

Objectives of the study

The following are the important objectives of the study

1. To study the origin and growth of TVS Motors Company Ltd and Mahindra & Mahindra Ltd.
2. To analysis the profitability and its trends of TVS Motors Company Ltd and Mahindra & Mahindra Ltd.
3. To examine and explain the assets utilization efficiency of TVS Motors Company Ltd and Mahindra & Mahindra Ltd.
4. To analyze the liquidity of TVS Motors Company Ltd and Mahindra & Mahindra Ltd.

- To study the relationship between liquidity and profitability of TVS Motors Company Ltd and Mahindra & Mahindra Ltd.

Limitations of the study

The limitations of the study are;

- The study is based on secondary data obtained from the published annual reports and as its finding depends entirely on the accuracy of such data.
- The study covered only two companies. So the finding may not be applicable to entire industries as a whole.
- The present study is largely based on ratio analysis which has its own limitations.
- The financial statement does not keep pace with the changing price level. However, all these limitations, do not, in any way, affect the worth of this research work.

Methods of analysis and interpretation of financial statement

Financial statement analysis can be performed by employing a number of methods or techniques. The following are the important methods or techniques of financial statement analysis.

Ratio Analysis

Ratio analysis is the analysis of the interrelationship between two financial figures.

1. Cash Flow Analysis

Cash flow analysis is the analysis of the change in the cash position during a period.

2. Comparative Financial Statements

Comparative financial statement is a analysis of financial statements of the company for two years or of the two companies of similar types.

3. Trend Analysis

Trend analysis is the analysis of the trend of the financial ratios of the company over the years.

Types of Financial analysis

External Analysis

It is made by those who do not have access to the detailed records of a company. This group, which has to depend almost entirely on published financial statements, includes investors, credit agencies and governmental agencies regulating a business in a nominal way. The position of the external analyst has been improved in recent times

owing to the governmental regulations requiring business undertaking to make available detailed information to the public through audited accounts.

Internal Analysis

Internal analysis is accomplished by those who have access to the books of accounts and all other information related to business. While conducting this analysis, the analyst is a part of the enterprise. Analysis for managerial purpose is internal type of analysis and is conducted by executive and employee of the enterprise as well as governmental and court agencies which may have major regulatory function and, often jurisdiction, over the business.

Horizontal Analysis

When financial statements for a number of years are reviewed and analyzed, the analysis called horizontal analysis. As it is based on data from year to year rather than one date or period of time as a whole, this is also known as dynamic analysis.

Vertical Analysis

It is frequently used for referring to ratios developed for one data or for one accounting period. Vertical analysis is also called 'Static Analysis.' This is not very conducive to a proper analysis of a firm's financial position and its interpretation as it does not enable a study of data is perspective.

Techniques of Financial Appraisal

Financial statements report both on a firm's position at a point of time and on its operations over some past period. However, their real value lies in the fact that they can be used to help predict the firm's future earnings and dividends, as well as the risk involved in these cashflows from an investor's standpoint. Predicting the future is what financial statement analysis is all about. The techniques used to analyzed financial statements are **Common Size Statement Analysis, Trend Analysis, Comparative Statement Analysis, Ratio analysis etc.**

Statement of the problem

In the fast changing economic scenario world over, the management of any company has to play a dynamic role in managing its finances. To make rational decisions in tune with the objectives of

the firm, the management must analyze the funds needs, the financial status and profitability and the business risk of the company. Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. The efficiency of the business is measured by the amount of profit earned. The greater the profit, the more efficient is the business considered to be. The profit of a business may be measured by studying the profitability of investment in it. Profitability may be defined as the ability of a given investment to earn a return from its use. This ability is referred to as lending power or operating performance of the concerned investment. Profitability is a relative term and its relation with the other factors by which the profit is affected. It is the test of efficiency, powerful motivational factor and the measure of control in any business. Hence, an attempt has been made to study the profitability of confectionery in India after liberalization. Financial appraisal provides a method for assessing the financial strengths and weaknesses of the financial statements. There are two views of the financial strength of every organization based on the period of lending i.e., the short term and long term. The short term financial strength relates to the technical solvency of an organization in the near future, while the long-term financial strength depends on the structure that has been imposed in financing more permanent assets requirements.

Hence, the present study is made to analyze the performance of financial strength of the TVS Motors Company Ltd and Mahindra & Mahindra Ltd.

Company Profile

TVS Motors Company Limited

TVS Motor Company, a member of the TVS group is the largest company of the group in terms of size and turnover. The TVS group

has always been inspired by a century-long mission and vision of its own destiny. It is not just a business but a way of doing business, which sets TVS apart from others. TVS Motor Company is the third largest two-wheeler manufacturer in India and one among the top ten in the world, with annual turnover of more than \$1 billion in 2008–2009. It is the flagship company of the \$4 billion TVS Group. The company has four plants located at Hosur and Mysore in south India, in Himachal Pradesh, North India and one in Indonesia. The company has a production capacity of 2.5 million units a year. TVS Motor's strength lies in design and development of new products the latest launch of seven products on the same day seen as a first in automotive history. TVS delivers total customer satisfaction by anticipating the customer's need and presenting quality vehicles at the right time and at the right price. The customer and his ever changing need is its continuous source of inspiration.

Mahindra & Mahindra

Mahindra & Mahindra was established on October 2, 1945 when K.C. Mahindra visited the United States of America as Chairman of the India Supply Mission. He met Barney Roos, inventor of the rugged 'general purpose vehicle' or Jeep and had a flash of inspiration: wouldn't a vehicle that had proved its invincibility on the battlefields of World War II be ideal for India's rugged terrain and its kutcha rural roads. Swift action followed thought. The Mahindra brothers joined hands with a distinguished gentleman called Ghulam Mohammed. And, Mahindra & Mohammed was set up as a franchise for assembling jeeps from Willys, USA.

FINDINGS

Growth Analysis

1. The share capital position of TVS showed stable trend during the study period and Mahindra and

Mahindra showed an increasing trend during the study period.

2. The reserve position of TVS Motors and Mahindra and Mahindra showed an increasing trend during the study period.
3. The borrowing position of TVS Motors and Mahindra and Mahindra showed an fluctuation trend during the study period.
4. The fixed assets position of the TVS Motors was showed fluctuating trend and Mahindra and Mahindra was showed an increasing trend during the study period.
5. The current liability and provision position of the TVS Motors and Mahindra and Mahindra was showed an increasing trend during the study period.
6. The total liabilities position of the TVS Motors and Mahindra and Mahindra was showed an increasing trend during the study period.
7. The sales position of the TVS Motors and Mahindra and Mahindra was showed an increasing trend during the study period.
8. The total expenses position of the TVS Motors and Mahindra and Mahindra was showed an increasing trend during the study period.

Ratio analysis

From the ratio analysis it is found that comparatively, the operating profit margin ratio, gross profit margin ratio, net profit margin ratio, Return on capital employed ratio, return on total assets ratio, current ratio, quick ratio, fixed interest coverage ratio, working capital turnover ratio and inventory turnover ratio of Mahindra and Mahindra was better than the TVS Motors during the study period.

From the ratio analysis it is found that comparatively, the debt-equity ratio, total assets turnover ratio and fixed assets turnover ratio of TVS Motors was better than the Mahindra and Mahindra during the study period.

Trend Analysis

The comparison of production performance among the two companies revealed that the production of both the units were highly and erratically fluctuation during the study period.

Among the two companies registered positive compound annual growth rate in production during the study period. To conclude, the production performance of Mahindra and Mahindra is better than the TVS Motors.

The comparison of sales performance among the two companies revealed that the sales of Mahindra and Mahindra are the highest, followed by TVS Motors. The sales performance of TVS Motors and Mahindra and Mahindra are raising trend. All the two companies registered positive compound Annual growth rate in sales during the study period. The sales performance of Mahindra and Mahindra is better than the TVS Motors.

The comparison of reported net profit performance among the two companies revealed that the net profit of Mahindra and Mahindra is the highest, followed by TVS Motors. The reported net profit performance of TVS Motors and Mahindra and Mahindra erratically fluctuated during the study period. All the two companies registered positive compound annual growth rate in reported net profit during the study period. To conclude, the reported net profit performance of Mahindra and Mahindra is better than the TVS Motors.

SUGGESTIONS

The following suggestions were offered through this study for the better performance of the selected unit.

1. The TVS Motors and Mahindra and Mahindra should draw a long-term plan based on a well designed management information system, incorporate economics in it, particularly those relating to cost and revenues. This leads to reduction in cost of goods sold of the selected companies.
2. The massive injection of funds to modernize the selected companies for this study, fiscal and non-fiscal incentives to bring down the cost, improvement in infrastructural facilities in the remote but forest-rich areas and suitable changes in the companies control order would go a long way in improving its profitability and growth prospect.

3. Research and development efforts should also be concentrated on evolving a improved production performance of the selected companies.
4. The company has to make proper financial planning to reduce their dependence on long-term external borrowing which leads to reduction into interest burden of the company and improved profitability.
5. The company has also adopt proper working capital management policy in order to improve the liquidity position of the company.
6. Further, the selected companies has made proper inventory management policy in order to reduce its over stocking during the study period.

CONCLUSION

The analysis of financial position and performance of the TVS Motors and Mahindra and Mahindra has been good during the year from 2007

to 2016. The improved performances are noticed in production, marketing, fixed assets utilization and growth. Profitability position is good in the company. The company effectively utilized their resources in generating return for their shareholders during the study period. However, analysis of financial structure reveals that the company should improve their liquidity position in the years to come.

REFERENCE

REPORTS

1. Annual Report of the TVS Motors and Mahindra & Mahindra

BOOKS

1. Financial Management- Sharma and Sasi Gupta, Kalyan publisher

2. Financial Management-Khan & Jain, Mc Graw –Hill Education publisher

WEBSITES

www.economicstimes.com

www.ebcohost.com

www.ebnet.com