



## FINANCIAL PERFORMANCE ANALYSIS SPECIAL REFERENCE TO AUTOMOBILE INDUSTRY

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### **Abstract**

*The study entitled the financial performance analysis an Company. The objective of this study is to compare the current financial performance with last five years and to study the existing financial position of Company. The data used in this study is secondary data through annual report. The data that used in this study, comparative balance sheet, common size balance sheet, comparative balance sheet analysis ,that the current liabilities is higher than the current asset in every year and it is to be suggest that the company can concentrate on their increasing the level of the current asset. So the company improves this financial position. The study of financial performance on The Company has revealed the great deal of their various financial aspects for five years. The comparative analysis unlocks the overall performance methodology.*

### **Introduction**

Finance is defined as the provision of money at the time when it is required. Every enterprise, whether big, medium, or small, needs finance to carry on its operations and to achieve its targets. In fact, finance is so indispensable today that it is rightly said to be the lifeblood of an enterprise. Without adequate finance, no enterprises can possibly accomplish its objectives. Finance refers to the management of flow of money through an organization. A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements. It is a process of evaluating the relationships component parts of a financial statement to obtain a better understanding of a firm's positions and performance. Financial statements analysis is an attempt to determine the significance and meaning of the financial data so that forecast may be made of the future ability to pay interest and debt maturities a (both current and long term) and profitability of a sound policy.

### **Statement of the Problem**

Analyzing financial performance is the process of evaluating the common parts of financial statements to obtain a better understanding of firm's position and performance. Financial performance analysis enables the investors and creditors evaluate past and current performance and financial position, and to predict future performance. Financial statement is used to judge the profitability and financial soundness of a firm.

Financial performance is the selection, evaluation, and interpretation of financial data, along with other pertinent information, to assist in investment and interpretation of financial decision-making. Financial analysis may be used internally to evaluate issues such as employee performance, the efficiency of operations and credit policies, and externally to evaluate potentials investments and the credit worthiness of borrowers, among other things The analysis draws the financial data needed in financial from many sources .The primary source is the data provided by the firm itself in its annual report and required disclosures. The annual report and required disclosures. The annual report comprises the income statement, the balance sheet, and the statement of cash flows, as well as to these close statements certain businesses are required by securities laws to disclose addition anal information.



Besides information that companies are required financial statements, other information is ready available for financial analysis for example information such as the market prices of security of publically –trades corporations can be found in the financial press on the electronics media daily. Similarly, information on stock price indicates for industries for industries and for the market as a whole as available in the financial press.

Another source of information is economic data, such as the gross domestic product and consumer price index. Which may be useful in assessing the recent performance or future prospects of a firm or industry? Suppose you are evaluating a firm that owns a chain of retail outlets. Financial ratios reading prepared by Pamela Peterson-drake you need to judge the firm's performance and financial condition? you need financial data but it does not tell the whole story. You also need information's on consumer spending, producer prices, consumer prices and the completion. This is economic data that is readily available from government and private sources.

Besides financial statements data, market data, economics data, in financial analysis you also to examine events that may help explain the firm's present conditions and may have a bearing on its future prospects. For example, did the firm recently incur some extraordinary losses? is the firm developing a new product ? That be incorporated in financial analysis.

The massive amount of numbers in a company's financials states how to analyses statements can be bewildering and intimidating to many investors. On the other hand if you know how to analyze them the financial statements are a gold mine of information's.

While the balance sheet takes a snapshot approach in examining a businesses, the income statements measures a company's performance over a specific time frame ].financial statement are the medium by which a company discloses information concerning its financial performance. Followers of fundamental analysis use the quantitative information's gleaned from financial statements to make investments decisions .before jump into the specifics of the three most important financial statements -,balance sheets and cash flows statements –we will briefly introduce each statements specific, along with where they can be found.

American institute of certified public accounts says “Financial statement are prepared for the purpose of presenting a periodically review or report on the progress by the management and dealt with

1. The status of investment in the business.
2. The result achieved during the period under review financial performance analysis.

Financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statement s. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports.

The analyst attempts to measure the firm's liquidity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value.



**In short, the firm itself as well as various interested groups such as managers, shareholders, creditors, tax authorities, and others seeks answers to the following important questions:**

1. What is the financial position of the firm at a given point of time?
2. How is the financial performance of the firm over a given period of time?

These questions can be answered with the help of financial analysis of a firm. Financial analysis involves the use of financial statements. A financial statement is an organized collection of data according to logical consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as in the case of a balance Sheet, or may reveal a series of activities over a given period of time, as in the case of an Income Statement. Thus, the term „financial statements“ generally refers to two basic statements: the Balance Sheet and the Income statement.

### **Objectives of Financial Performance**

The of study following financial performance analysis contains the objectives  
Primary objective  
To study the overall financial performance analysis at Company

Secondary objective

1. To study on existing financial position of Company
2. To estimate the earning capacity of the business concern
3. To identify the strength and weakness of Company

### **Scope of the Study**

The study mainly attempts to analyze the financial performance of the company selected for the study. The financial authorities can use this for evaluating their performance in future, which will help to analyze financial statements and help to apply the resources of the company properly for the development of the company and IT employees to bring overall growth. The present study attempt to develop a trend analysis model for Sales and Working capital and Profit and Loss Accounts. There can be forecasting to evaluate the overall company in future

### **Theoretical Review**

Here are the reviews of the previous researchers related with the present study Finance is the life blood of business. A unit may fall sick because of a major lubricant is finance. There are various mechanisms available to a firm revival. Financial restructuring is a favored mechanism for firms in red. Does financial restructuring help to improving the financial performance of a firm? an attempt has been made in this chapter to undertake extensive literature review in this area both in National and International context.

### **Review of Literature**

Some important research works undertaken in recent years which are very closely connected with the present study are reviewed.

Shinde Govind P. & Dubey Manisha (2011)The study has been conducted considering the segments such as passenger vehicle, commercial vehicle, utility vehicle, two and three wheeler vehicle of key players performance and also analyze SWOT analysis and key factors influencing growth of automobile industry.



Sharma Nishi (2011) Studied the financial performance of passenger and commercial vehicle segment of the automobile industry in the terms of four financial parameters namely liquidity, profitability, leverage and managerial efficiency analysis for the period of decade from 2001-02 to 2010-11. The study concludes that profitability and managerial efficiency of Tata motors as well as Mahindra & Mahindra Ltd are satisfactory but their liquidity position is not satisfactory. The liquidity position of commercial vehicle is much better than passenger vehicle segment.

Singh Amarjit & Gupta Vinod (2012) explored an overview of automobile industry. Indian automobile industry itself as a manufacturing hub and many joint ventures have been setup in India with foreign collaboration. SWOT analysis done there are some challenges by the virtue of which automobile industry faces lot of problems and some innovative key features are keyless entry, electrically controlled mechanisms enhanced driving control, soft feel interiors and also need to focus in future on like fuel efficiency, emission reduction safety and durability.

Zafar S.M.Tariq & Khalid S.M (2012) The study explored that ratios are calculated from financial statements which are prepared as desired policies adopted on depreciation and stock valuation by the management. Ratio is simple comparison of numerator and a denominator that cannot produce complete and authentic picture of business. Results are manipulated and also may not highlight other factors which affect performance of firm by promoters.

Ray Sabapriya (2012) studied the sample of automobile companies to evaluate the performance of industry through indicators namely sales, production and export trend etc. for period of 2003-04 to 2009-10. The study finds that automobile industry has been passing through disruptive phases by over debt burden, underutilization of assets and liquidity instability. The researcher suggested to improving the labour productivity, labour flexibility and capital efficiency for success of industry in future.

Dawar Varun (2012) Study to analyze the effect of various fundamental corporate policy variables like dividend, debt, capital expenditure on stock prices of automobile companies of India. The study tends that dividend & investment policy are relevant and capital structure irrelevant to stock prices.

Mistry Dharmendra S. (2012) understood a study to analyze the effect of various determinants on the profitability of the selected companies. It concluded that debt equity ratio, inventory ratio, total assets were important determinants which effect positive or negative effect on the profitability. It suggested improving solvency as to reduce fixed financial burden on the company profit & give the benefit of trading on equity to the shareholders.

Rapheal Nisha (2013) The author tries to evaluate the financial performance of Indian tyre industry. The study was conducted for period 2003-04 to 2011-12 to analyze the performance with financial indicators, sales trend, export trend, production trend etc. The result suggests the key to success in industry is to improve labour productivity and flexibility and capital efficiency.

Hotwani Rakhi (2013) The author examines the profitability position and growth of company in light of sales and profitability of Tata Motors for past ten years. Data is analyzed through ratios, standard deviations and coefficient of variance. The study reveals that there not exists a strong relationship between sales & profitability of company.



Sharma Rashmi, Pande Neeraj & Singh Avinash (2013) For understanding how social media monitoring can help diving the consumer decision & also study. The functions of social media i.e. monitor, responses amplify and lead at maruti Suzuki India ltd. The researcher had discussion with social media team median managers for collecting data & also visited the official social media sites of MSIL.

Daniel A. Moses Joshunar (2013) The study has been conducted to identify the financial strength and weakness of the Tata motors Ltd. using past 5 year financial statements. Trend analysis & ratio analysis used to comment of financial status of company. Financial performance of company is satisfactory and also suggested to increase the loan levels of company for the better performance.

Dhole Madhavi (2013) Investing the impact of price movement of share on selected company performance. It advise due investors consider various factors before choosing the better portfolio. Sentimental factors do play a role in price movement only in short term but in long run annual performance is sole factor responsible for price movement.

Shende Vikram (2014) This research will be helpful for the new entrants and existing car manufacturing companies in India to find out the customer expectations and their market offerings. The objective of study is the identification of factors influencing customers performance for particular segment of cars.

Azhagaiah R. & Gounasegaran (2014) Recognized India's per capita real GDP growth as one of key drivers of growth for country's automobile industry. The central government would be set up various task forces on issue related to taxation, land acquisitions, labour reform and skill development for auto industry.

Buvanewari .R & Kanimozhip (2014) To study the credit worthiness of selected firms in Indian car industry, tiruchy. Professor Edward Altman of New York University developed method Z score analysis to predict the company failure or bankruptcy. To measure the fiscal fitness of a company combined a set of five financial ratios.

Idhayajothi, R et al (2014) The main idea behind this study is to analyze the financial performance of Ashoka Leyland ltd. at Chennai. The result shows that financial performance is sound and also suggested to improve financial performance by reducing the various expenses.

Srivastava Anubha (2014) Data analysis has been done using the top down approach ,i.e. Economic analysis, industry analysis, company and technical analysis to find relationship between automobile sector index with market index. Mahindra and Mahindra have a great position on the stock market and will attract investor and this could lead to expansion and growth. Thus Tata motors and Maruti Suzuki need to take care of their stock and expansion.

Krishnaveni, M. & Vidya, R. (2015) Find that Indian automobile industry is a high flying sector these days and emerging as an export hub in wake of liberalization and globalization. This paper revises the category wise production, sales and exports of automobile industry in India. Industry growth can be viewed in term of pre and post liberalization. As government allows 100 percent FDI, increase 15% in customs duty on cars and MUVs to encourage local manufacturer and concessional import duty on specified parts of hybrid vehicles.





Sarwade Walmik Kachru (2015) Analyzed the effects of liberalization, government relicensing and liberal trade policies on the growth of Indian auto mobile industry. The study recommends that investing four-wheeler is going to be smart option not only in India but all around the world.

Becker Dieter (2015) The report shows about the current state and future prospects of the worldwide automobile industry. This survey report the manufacturer, executive and consumer views about four aspects, mobility culture, technological fit, business model readiness and market share.

Surekha B. & Krishnalakshmi K. Rama (2015) This study reveals the prosperity of Tata Motors Company. It can be concluded that inner strength of company is remarkable. Company can further improve its profitability by optimum capital gearing, reduction in administration and financial expenses for the growth of company.

Maheswari, V. (2015) Made an attempt to analyze the financial soundness of the Hero Honda motors limited have identified three factors, namely liquidity position, solvency position and profitability position based on the study of period 2002 to 2010 using ratio analysis.

Agarwal, Nidhi (2015) The study focus on the comparative financial performance of Maruti Suzuki and Tata motors ltd. The financial data and information required for the study are drawn from the various annual reports of companies. The liquidity and leverage analysis of both the firms are done. To analyze the leverage position four ratios are considered namely, capital gearing, debt-equity, total debt and proprietary ratio. The result shows that Tata motors ltd has to increase the portion of proprietor's fund in business to improve long term solvency position.

Krishnaveni, M. & Vidya, R (2015) Author has selected 87 companies out of 242 companies in capital line database to discuss the standard current ratio of automobile industry is matched with tractor and four sectors like engine parts, lamps, gears and ancillaries with standard norms.

Takeh Ata & Navaprabha Jubiliy (2015) Author has made conceptual model to outline the impact of capital structure on the financial performance i.e. capital structure is independent variable that value is measured by using four ratios namely, financial debt, total debt equity, total asset debt and interest coverage ratio whereas financial performance is dependent variable that value is measured by using four ratios as return on assets, return on equity, operating profit margin and return on capital employed. Researcher has selected 13 major steel industries and applied various statistical tools like standard deviation, correlation matrix, anova etc are employed for testing hypothesis with help of SPSS22.

### **Research Methodology**

As the nature of the study relates to finance performance the main part used was secondary data. It includes profit and loss account, balance sheet etc.

Thus the study is based on the published accounts and annual reports of nature's prime organic Pvt Ltd Company.

### **Research Design**

The research design applicable for the proposal study is of analytical. As the use of facts information are already available and analyses these to make a critical evaluation of the material



### **Data Collection**

The data calculated for the study is secondary data. these data which have already been collected by someone else and which already been passed through statistical processes.

### **Analytical Tool Used**

The following are major tools is used analysis and interpretation

- Comparative balance sheet
- Common size balance sheet
- Ratio analysis
- Common size analysis

### **Suggestions**

Based on the findings the following the suggestions can be given to the company for a better business to the possible

1. The Company can invest more in current assets than in working capital
2. The Company can improve the net profit by reducing interest and financial charges
3. The Company has to increase its current asset and improves the sort-term financial position and cost of goods sold hasbeen reduced.

### **Conclusion**

The study of financial performance analysis of Company has revealed the great deal of their various financial aspects for five years. The comparative analysis unlocks the overall performance methodology. It aids the company, the shareholders as well as the creditors in taking valuable decisions and scope with deviations. As such, there are more avenues and scope for the companies to improve and thrive successfully in the nature.

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