

A STUDY ON COMPARATIVE FINANCIAL
STATEMENT ANALYSIS ON HERO MOTOR CROP.

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Abstract:-

Comparative analysis is the study on different dates of the trend of the same items and computed items in or ore the financial statements of the same business enterprise. Efficient finance management is very critical for an enterprise's performance. The term financial output is a very vibrant term. The topic of financial performance has varied very rapidly. Financial performance is being given greater importance nowadays. So the researcher is making an attempt to review the financial results of the chosen firm i.e. LTD is funded by Mahindra. While analyzing the company's financial performance it is concluded that the ratios of expenses and profitability are given greater importance.

“Hero” is the brand name used by the Munjal brothers for their flagship company Hero Cycles Ltd. In 1984 a joint venture was established between the Hero Group and Honda Motor Company as Hero Honda Motors Limited at Dharuhera India. Munjal family and group Honda both own 26 percent of the company's stake. It was reported in 2010, that Honda was planning to sell its stake in the venture to the Munjal family. Hero MotoCorp Ltd., formally Hero Honda Motor Ltd is India's largest producer of two wheelers worldwide. In 2001, in terms of unit volume sales in a calendar year, the company achieved the coveted position of being the largest two wheeler manufacturer in India, and also the worlds No.1 two wheeler company. With a 54.6 per cent share, the company continues to lead the domestic motorcycle market.

KEY WORDS:-*financial analysis, comparative analysis, absolute increase, absolute decrease, percentage change, current assets, current liabilities, shareholder’s fund.*

INTRODUCTION:-

In general, the analysis of the financial statements involves common size analysis, ratio analysis (liquidity, turnover, profitability, etc.), trend analysis and comparative analysis of the industry. This allows the valuation analyst to compare the subject company to other companies in the same or similar industry, and to discover trends over-time that affect the company and/or the industry. By comparing the financial statements of a business over various periods of time, the valuation expert will view growth or decrease in sales or expenditure, changes in capital structure or other financial trends. How the subject business compares with the industry would help with the risk evaluation and eventually help to decide the discount rate and multiple market selection.

Comparative analysis of the financial statements is the comparison of the financial statements of the corporation with the financial statements of the previous year and with the results of other similar firms, so that shortcomings can be found and remedial steps applied. For all types of financial statements, i.e., balance sheet, as well as profit and loss account, comparative statements may be prepared. The comparative profit and loss account will present a review of the enterprise's operating activities. The comparative balance shows the effect of operations during the period under consideration on the assets and liabilities that change the financial position. The presentation in annual and other reports of the comparative financial statements increases the value of these reports and clarifies the essence and patterns of recent developments affecting the company. Although the single balance sheet reflects the balance of accounts drawn at the end of an accounting period, the comparative balance sheet does not reflect only the balance of accounts drawn on two separate dates, but also the degree to which these two dates increase or decrease. The financial condition of the business is the subject of the single budget, as the comparative balance sheet focuses on improvement in an accounting period. The adjustments are the direct product of activities, the transfer of assets, liability and equity and various interactions between assets, liabilities and capital.

Hero MotoCorp Ltd. is the world's largest two-wheel manufacturer based in India, and officially Hero Honda Motor Ltd. In 2001, it was the coveted company in terms of unit volume sales in a calendar year, being Indian's world's number one two-wheeler producer. The business remains a 54.6 per cent market leader in the domestic engine cycle segment.

In the 2008-09 fiscal year the company sold 3,7 million motorcycles, a 12% increase in 2008-2009. The company's market share in the Indian market was 57 percent the same year. The Hero

Honda is selling two more wheelers, two wheeler companies that have been assembled, and two wheeler companies which have been assembled. The hero motocorp 's maximum monthly sales on 1 June 2012 were 5.56,644 units in May, recording 11.28%.

Vision:-Hero Honda's history started with a simple vision – a mobile and empowered India that has been powered by its motorcycles. The new image of Hero MotoCorp Ltd. reflects his dedication to offering world-class solutions for mobility with a renewed emphasis on the global expansion of his footprint.

Mission:-Hero MotoCorp is to become a multinational business that meets the mobility needs and mobility expectations of its consumers, creating technology, design and quality benchmarks so that it converts its consumers into its brand representatives. The company will provide its employees with a stimulating environment to realize their true potential. It will continue to focus on value-building and on lasting partnerships.

Strategy:-The key strategies of Hero MotoCorp are to build a robust product range across categories, to explore growth possibilities globally, constantly improve operational efficiency, to aggressively expand its customer reach, to continue investing in brand construction and to ensure the enjoyment of customers and shareholders.

OBJECTIVES OF THE STUDY:-

- To study the financial statement for five years.
- To examine the financial statements with the help of comparative study.
- To identify the financial strength and weakness of the organization.
- To know the financial position of the firm.

HYPOTHESIS:-

Null hypothesis

H0 = No big correlation of fiscal stability with income can take place.

H1 = the dissolvability and benefit will be an enormous component.

Alternative hypothesis

H0 = there is a bid correlation of fiscal stability with income can take place.

H1 =the dissolvability and benefit will not be an enormous component.

METHODOLOGY:-It is well known that defining the problem is a key step in the marking of the research process. Select for research because a well defined problem is half resolved. This was why the description of certain parameters of the question has been taken carefully. After a brain storming session, targets were selected and the objectives were established based on those targets. The sources of investigation provided an insight on the organizational structure, function of the financial department and other groups in books, documents, an annual report, financial assessment, literature, files and personal observation. It covers the period of 2014-2019. This study was based only on secondary data from different magazines, Web sites and only on the financial ratios, which means that the ratios are limited.

DATA ANALYSIS AND INTERPRETATION:

TABLE- 1 Comparative Balance Sheets as on 31st March year 1 – year 2

Particulars	31st March 1 Rs. in lakhs	31st March 2 Rs. in lakhs	Change in value Rs. in lakhs	% Increase or Decrease
Fixed Assets (A)	25169.20	23599.92	(1569.28)	6.23
Investment (B)	806.11	812.09	5.98	0.74
Current Assets :				
Inventories	3038.38	3977.63	939.25	30.91
Sundry Debtors	4211.03	3100.98	(1110.05)	26.36
Cash and Bank Balance	130.54	141.15	10.61	8.13
Loans and Advances	2576.86	1606.03	(970.83)	37.67
Total current Assets (C)	9956.81	8825.79	(1131.02)	11.36
Total Assets (A+B+C)	35932.12	33237.8	(2694.32)	7.50
Shareholders Funds :				
Share Capital	561.50	561.50	- (23.67)	-
Reserves and Surplus	27091.74	27068.07		0.09
Deffered tax	262.00	335.70	73.7	28.12
Total Shareholders Funds(A)	27915.24	27965.27	50.03	0.18
Loan Funds :				
Secured loans	6716.08	4505.38	(2210.7)	32.92
Unsecured loans	525.31	122.89	(403.42)	76.61
Total Loan Funds (B)	7241.39	4628.27	(2613.12)	36.09
Current Liabilities and Provision(C)	775.49	644.26	(131.23)	16.92
Total Liabilities (A+B+C)	35932.12	33237.8	(2694.32)	7.50

Interpretation:

The comparative balance sheet of the company reveals during 2, that there has been a decrease in the fixed assets of Rs.(1569.28) lakhs, which indicates sale of fixed assets. The cash or fund received through sale of fixed assets has increased the cash balance of the company. The investment has increased from Rs.806.11 lakhs to Rs.812.09 lakhs, which indicates the investment has been properly made. The overall financial position of the company for the year (1-2) is satisfactory.

TABLE -2Comparative Balance Sheets as on 31st March year – year 3

Particulars	31st March 2 Rs. in lakhs	31st March 3 Rs. in lakhs	Change in value Rs. in lakhs	% Increase or Decrease
Fixed Assets (A)	23599.92	23293.33	(306.59)	1.30
Investment (B)	812.09	690.78	(121.31)	14.94
Current Assets :				
Inventories	3977.63	3097.26	(880.37)	22.13
Sundry Debtors	3100.98	4405.70	1304.72	42.07
Cash and Bank Balance	141.15	46.11	(95.04)	67.33
Loans and Advances	1606.03	2177.66	571.63	35.59
Total current Assets (C)	8825.79	9726.73	900.94	10.21
Total Assets (A+B+C)	33237.8	33710.84	473.04	1.42
Shareholders' Funds :				
Share Capital		1123.00	561.50	100
Reserves and Surplus	561.50	26783.09	(284.98)	1.05
Deferred Tax	27068.07	429.00	93.3	27.79
Total Shareholders' Funds(A)	27965.27	28335.09	369.82	1.32
Loan Funds :				
Secured loans	4505.38	4104.48	(400.9)	8.90
Unsecured loans	122.89	117.15	(5.74)	4.67
Total Loan Funds (B)	4628.27	4221.63	(406.64)	8.79
Current Liabilities and Provision(C)	644.26	1154.12	509.86	79.14
Total Liabilities (A+B+C)	33237.8	33710.84	473.04	1.42

Interpretation:

The comparative balance sheet of the company reveals during 3, that there has been a decrease in the fixed assets of Rs.(306.59) lakhs, which indicates sale of fixed assets. The cash and bank balance have also decreased by Rs.(95.04) lakhs. This fact indicates that the firm has utilized both current and fixed assets for the repayment of long term loans as such there loan amount has reduced by Rs.(406.64) lakhs.

TABLE-3 Comparative Balance Sheets as on 31st March year 3 – year 4

Particulars	31st March 3 Rs. in lakhs	31st March 4 Rs. in lakhs	Change in Absolute Figure Rs. in lakhs	Percentage Increase or Decrease
Fixed Assets (A)	23293.33	21863.99	(1429.34)	6.14
Investment (B)	690.78	5391.05	4700.27	680.43
Current Assets :				
Inventories	3097.26	3674.58	577.32	18.64
Sundry Debtors	4405.70	3524.79	(880.91)	19.99
Cash and Bank Balance	46.11	34.43	(11.68)	25.33
Loans and Advances	2177.66	2650.84	473.18	21.73
Total current Assets (C)	9726.73	9884.64	157.91	1.62
Total Assets (A+B+C)	33710.84	37139.68	3428.84	10.17
Shareholders' Funds :				
Share Capital	1123.00	1223.00	100	8.90
Reserves and Surplus	26783.09	30460.74	3677.65	13.73
Deferred Tax	429.00	480.00	51	11.89
Total Shareholders Funds(A)	28335.09	32163.74	3828.65	13.51
Loan Funds :				
Secured loans	4104.48	3375.82	(728.66)	17.75
Unsecured loans	117.15	98.36	(18.79)	16.04
Total Loan Funds (B)	4221.63	3474.18	(747.45)	17.71
Current Liabilities and Provision(C)	1154.12	1501.76	347.64	30.12
Total Liabilities (A+B+C)	33710.84	37139.68	3428.84	10.17

Interpretation:

The comparative balance sheet of the company reveals during 4, that there has been a decrease in the fixed assets of Rs.(1429.34) lakhs, which indicates sale of fixed assets and an inflow of cash. This cash is utilized in meeting out long term liabilities as such the loan Amount has reduced by Rs.(747.45) lakhs.

TABLE-4Comparative Balance Sheets as on 31st March year 4 – year 5

Particulars	31st March 4 Rs. in lakhs	31st March 5 Rs. in lakhs	Change in value Rs. in lakhs	%Increase or Decrease
Fixed Assets (A)	21863.99	20245.48	(1618.51)	7.40
Investment (B)	5391.05	8709.80	3318.75	61.56
Current Assets :				
Inventories Sundry	3674.58	3662.46	(12.12)	0.33
Debtors	3524.79	3667.52	142.73	4.05
Cash and Bank Balance	34.43	82.12	47.69	138.51
Loans and Advances	2650.84	4537.37	1886.53	71.17
Total current Assets (C)	9884.64	11949.47	2064.83	20.89
Total Assets (A+B+C)	37139.68	40904.75	3765.07	10.14
Shareholders' Funds :				
Share Capital	1223.00	1223.00	-	-
Reserves and Surplus			1837.89	6.03
Deferred Tax	30460.74	32298.63	(219)	45.63
	480.00	261.00		
Total Shareholders Funds(A)	32163.74	33782.63	1618.89	5.03
Loan Funds :				
Secured loans	3375.82	3124.08	(251.74)	7.46
Unsecured loans	98.36	92.59	(5.77)	5.87
Total Loan Funds (B)	3474.18	3216.67	(257.51)	7.41
Current Liabilities and Provision(C)	1501.76	3905.45	2403.69	160.06
Total Liabilities (A+B+C)	37139.68	40904.75	3765.07	10.14

Interpretation:

The comparative balance sheet of the company reveals during 5, that there has been a decrease in the fixed assets of Rs.(1618.51) lakhs, which indicates sale of fixed assets and an inflow of cash. The long term loan has reduced by Rs.(257.51) lakhs, which indicates the repayment of loan. This fact depicts that the loan is relayed through the cash received by sale of fixed assets. The overall financial position of the company for the year (4-5) is satisfactory.

- Comparative balance sheet proves that the financial performance for each succeeding year is very much satisfactory as compared with its previous year during the period of 1-5.
- It can be stated that the working capital management of the company seems to be satisfactory. But in certain years there is decrease in working capital, which is due to higher amount of current liabilities especially, increasing in provision for dividend and taxation and creditors. The company should try to decrease the current liabilities and provision by making timely payment.

FINDINGS:-

- Today's passivities are more negative than existing assets.
- The Partnership has a strong working capital and can fulfill its descriptive obligations.
- A negative working capital means that a company is actually unable to meet its obligations under its current assets (cash register, stock).
- The organization has built a base slack in the years of the agreement for 2015-2019 and, over the years, the cash and capital conditions remain high.

SUGGESTIONS:-

- Company would be disrupted by increasing various types of resources and decreasing current liabilities to wavering direct operating capital requirements.
- As seen in 2015-16 in the next budget years, the rising net favored situation remains at around 98%.
- New systems will be updated and extended to attract new customers.

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