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A Study on Finanacial Analysis of Hero Motocorp Limited.

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ABSTARCT: "Hero" is the brand name used by the Munjal brothers for their flagship company Hero Cycles Ltd. A joint venture between the Hero Group and Honda Motor Company was established in 1984 as the Hero Honda Motors Limited At Dharuhera India. Munjal family and Honda group both own 26% stake in the Company. In 2010, it was reported that Honda planned to sell its stake in the venture to the Munjal family. Hero MotoCorp Ltd., formally Hero Honda Motor Ltd is the world's largest manufacturer of two wheeler based in India. In 2001 the company achieved the coveted position of being the largest two wheeler manufacturer in India and also the worlds No.1 two wheeler company in terms of unit volume sales in a calendar year. Company continues to lead the domestic motor cycle market with 54.6% share.

Key Words: Financial analysis, Profitability Ratios, Liquidity ratio.

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I. INTRODUCTION

Hero MotoCorp Ltd., formally Hero Honda Motor Ltd is the world's largest manufacturer of two wheeler based in India. In 2001 the company achieved the coveted position of being the largest two wheeler manufacturer in India and also the worlds No.1 two wheeler company in terms of unit volume sales in a calendar year. Company continues to lead the domestic motor cycle market with 54.6% share.

During the fiscal year 2008-09 the company sold 3.7 million bikes, a growth of 12% over last year. In the same year, the company had a market share of 57% in the Indian market. Hero Honda sells more two wheelers than the second, third and fourth placed two wheeler companies put together .hero Hondas bike hero Honda splendor sells more than one million units per year. On 1st june 2012, hero motocorp reported its highest every monthly sales at 5,56,644 units in May, registered a growth of 11.28%.

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Vision :-The story of Hero Honda began with a simple vision - the vision of a mobile and an empowered India, powered by its bikes. Hero MotoCorp Ltd., company's new identity, reflects its commitment towards providing world class mobility solutions with renewed focus on expanding company's footprint in the global arena.

Mission :-Hero MotoCorp's mission is to become a global enterprise fulfilling its customers' needs and aspirations for mobility, setting benchmarks in technology, styling and quality so that it converts its customers into its brand advocates. The company will provide an engaging environment for its people to perform to their true potential. It will continue its focus on value creation and enduring relationships with its partners.

Strategy:- Hero MotoCorp's key strategies are to build a robust product portfolio across categories, explore growth opportunities globally, continuously improve its operational efficiency, aggressively expand its reach to customers, continue to invest in brand building activities and ensure customer and shareholder delight.

1.2. Need for the Study

"Hero" is the brand name used by the Munjal brothers for their flagship company Hero Cycles Ltd. A joint venture between the Hero Group and Honda Motor Company was established in 1984 as the Hero Honda Motors Limited At Dharuhera India. Munjal family and Honda group both own 26% stake in the Company. In 2010, it was reported that Honda planned to sell its stake in the venture to the Munjal family.

The company has a stated aim of achieving revenues of $10 billion and volumes of 10 million two-wheelers by 2016-17. This in conjunction with new countries where they can now market their two-wheelers following the disengagement from Honda, Hero MotoCorp hopes to achieve 10 per cent of their revenues from international markets, and they expected to launch sales in Nigeria by end-2011 or early-2012. This is the main stream to study about the Hero Motocorp Limited.

1.3. Objective of the Study:

1. To study the financial performance of "Hero Motocorp Ldt."
2. To know the financial strength of the company
3. To know the Profitability of the company.

1.4. Methodology:

It is well known fact that the most important step in marking research process is to define the problem. Choose for investigation because a problem well defined is half solved. That was the reason that at most care was taken while defining various parameters of the problem. After giving through brain storming session, objectives were selected and the set on the base of these objectives. A questionnaire was designed major emphasis of which was gathering new ideas or insight so as to determine and bind out solution to the problems.

1.4.1.Sources:

The investigation replied on books, documents, annual report, financial assessment, literature, files and personal observation to have an idea about the organizational setup, function of financial department and other groups.

1.4.2.Period of the Study

The present study covers a period of five years from 2012-13 to 2016-17.

1.4.3.Limitation of the Study

This study has been based on only secondary data collected from various magazines, web sites and its studying only about the financial ratios so the ratios having their own limitations.

II. REVIEW OF LITERATURE

Pai, Vadivel & Kamala (1995) have studied about the diversified companies and financial performance. Main purpose of research was found out the relationship between diversified firms and their financial performance. For the purpose of research, they have selected seven large firms and analysed those firm which having different products-both related and otherwise-in their portfolio and operating in diverse industries. In this study, a set of performance measures / ratios was employed to determine the level of financial performance and variation in performance from one firm to another has been observed and statistically established. They revealed that the diversified firms studied have been healthy financial performance.

Samuel & Vanniarajan (2007) discussed about financial performance of bank by applying Du-Pont analysis. They concluded that the liberalization of the finance sector in India has divulged Indian banks to a new economic environment that is considered by increased competition and new regulatory requirements. They also revealed that Indian and foreign banks need to explore development opportunities in India by initiating new products for different customer segment, and many of which were not conservatively viewed as customer for the banking industry. They suggested all banks should to evaluate their performance and compare with the others. In the last they depicted from the analysis the performance of the banks may be viewed on the base of three dimensions like structural, functioning and efficiency factors which was suggested by the India Bank Association.

Bhunia, Mukhuti & Roy (2011) have discussed about "Financial Performance Analysis-A Case Study". The main aim of study was to identify the financial strengths and weaknesses by covering two public sector drug & pharmaceutical enterprises listed on BSE. For study purpose, they have been selected twelve years from 1997-98 to 2008-09. They analysed the data by using ratios, and statistical tools like A.M., S.D., C.V., linear multiple regression analysis and test of hypothesis t-test. They used SWOT analysis to overcome the weakness and grab the opportunities available in public sector drug & pharmaceutical enterprises in consideration of strengths and threats. They concluded that growth during last decade was noteworthy and market trend was growing at a faster rate. They suggested that the opportunities can be grabbed through the diversification of export basket in untouched foreign destinations. They also revealed that strict quality standards, services and use of latest technology can provide an edge over competitors across the globe.

Bhunia, Mukhuti & Roy (2011) "Financial Performance Analysis-A Case Study" Current Research Journal of Social Sciences 3(3): 269-275, 2011

Dr Pratibha Jain & Prof. Megha Mehta (2013) In their study on financial performance of automobile companies finds that Hero Honda company performed well because of its usage of latest technology and Tata motors weak performance due to increased manufacturing overheads and company's inability to face competition

Tariq Zafar & Khalid (2012) have discussed about "A Comparative Evaluation of Financial Performance and Market Value of Maruti& Tata Company". For the purpose of analysis, they have been selected two most preferred companies like Maruti Suzuki Ltd. and Tata Motors Ltd., and for the using period of 2006-2010. They tried to analyse qualitative and quantitative performance of both companies and to investigated their risk and returns factors, their market position, their collective impact on profitability and to come up with the best and worst performing company by using modern performance evaluating techniques and later ranking them according to their achieved performance. They concluded from the ratio analysis there was a lack authenticity in data, in calculation which may manipulating presentation by the promoters. They have also found that different firms follow different accounting policies like depreciation allowance; valuation of inventory etc. and often management ignore these differences while making inter-firm comparison. They revealed that the change in price levels due to inflation is also not properly considered by management.

III. FINANCIAL ANALYSIS OF HERO MOTOCORP LTD

PROFITABILITY RATIOS:

The Profitability ratios measures the overall performance and effectiveness of the firm**.**

GROSS PROFIT RATIO

Gross profit ratio is the ratio of gross profit to net sales i.e. sales less sales returns. The ratio thus reflects the margin of profit that a concern is able to earn on its trading and manufacturing activity. It is the most commonly calculated ratio. It is employed for inter-firm and inter-firm comparison of trading results.

Gross profit is what is revealed by the trading account. It results from the difference between net sales and cost of goods sold without taking into account expenses generally charged to the profit and loss account. The larger the gap, the greater is the scope for absorbing various expenses on administration, maintenance, arranging finance, selling and distribution and yet leaving net profit for the proprietors or shareholders.

3.1. GROSS PROFIT RATIO

Gross profit = Gross profit / (Net sales × 100)

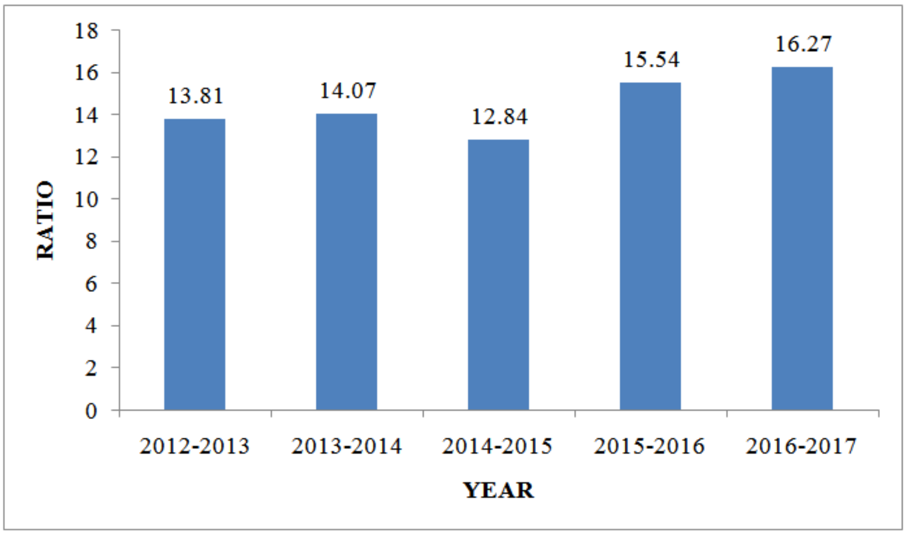
Year	Gross Profit	Sales	Ratio
2012-2013	3284.48	23768.11	13.81
2013-2014	3540.06	25275.47	14.07
2014-2015	3542.18	27585.30	12.84
2015-2016	4447.10	28599.30	15.54
2016-2017	4634.81	28474.99	16.27

Source: Computed

INFERENCE:

The above table shows the Gross Profit Ratio position of the Hero MotoCorp Ltd., The Gross Profit Ratio was ranges from 13.81 to 16.27 during the study period 2012-13 to 2016-17.

GROSS PROFIT RATIO



3.2.NET PROFIT RATIO

Net profit ratio (NP ratio) expresses the relationship between net profit after taxes and sales. This ratio is a measure of the overall profitability net profit is arrived at after taking into account both the operating and non-operating items of incomes and expenses. The ratio indicates what portion of the net sales is left for the owners after all expenses have been met.

3.2. Net profit ratio

Net profit = Net profit / sales * 100

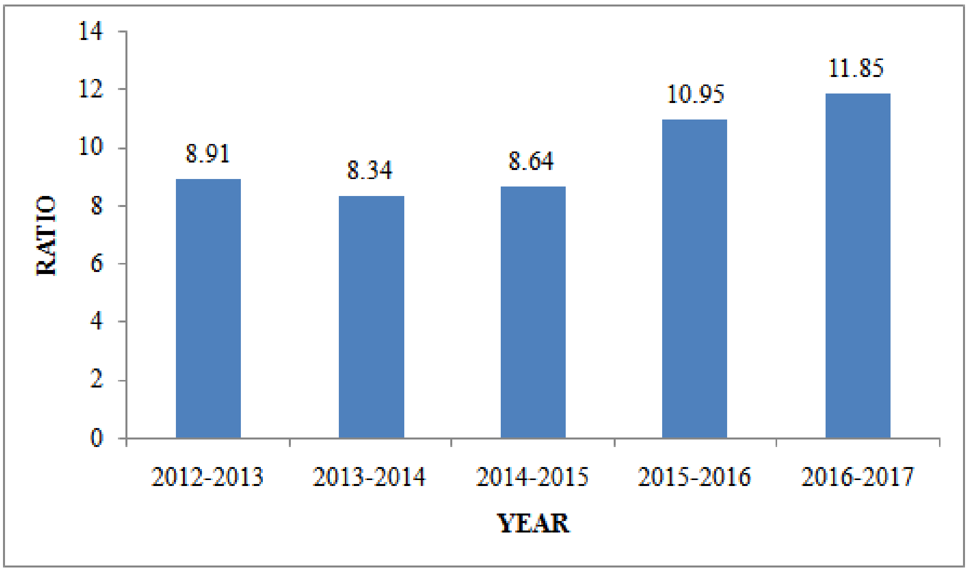
Year	Net Profit	Sales	Ratio
2012-2013	2118.16	23768.11	8.91
2013-2014	2109.08	25275.47	8.34
2014-2015	2385.64	27585.30	8.64
2015-2016	3132.37	28599.30	10.95
2016-2017	3377.12	28474.99	11.85

Source: Computed

INFERENCE:

The above table shows the Net profit ratio of the Hero MotoCorp Ltd., The Net profit ratio was ranges from 8.91 to 11.85 during the study period 2012-13 to 2016-17.

NET PROFIT RATIO



3.3.PROPRIETARY RATIO

The proprietary ratio (also known as the *equity ratio*) is the proportion of shareholders' equity to total assets, and as such provides a rough estimate of the amount of capitalization currently used to support a business. If the ratio is high, this indicates that a company has a sufficient amount of equity to support the functions of the business, and probably has room in its financial structure to take on additional debt, if necessary. Conversely, a low ratio indicates that a business may be making use of too much debt or trade payables, rather than equity, to support operations (which may place the company at risk of bankruptcy).

PROPRIETORY RATIO

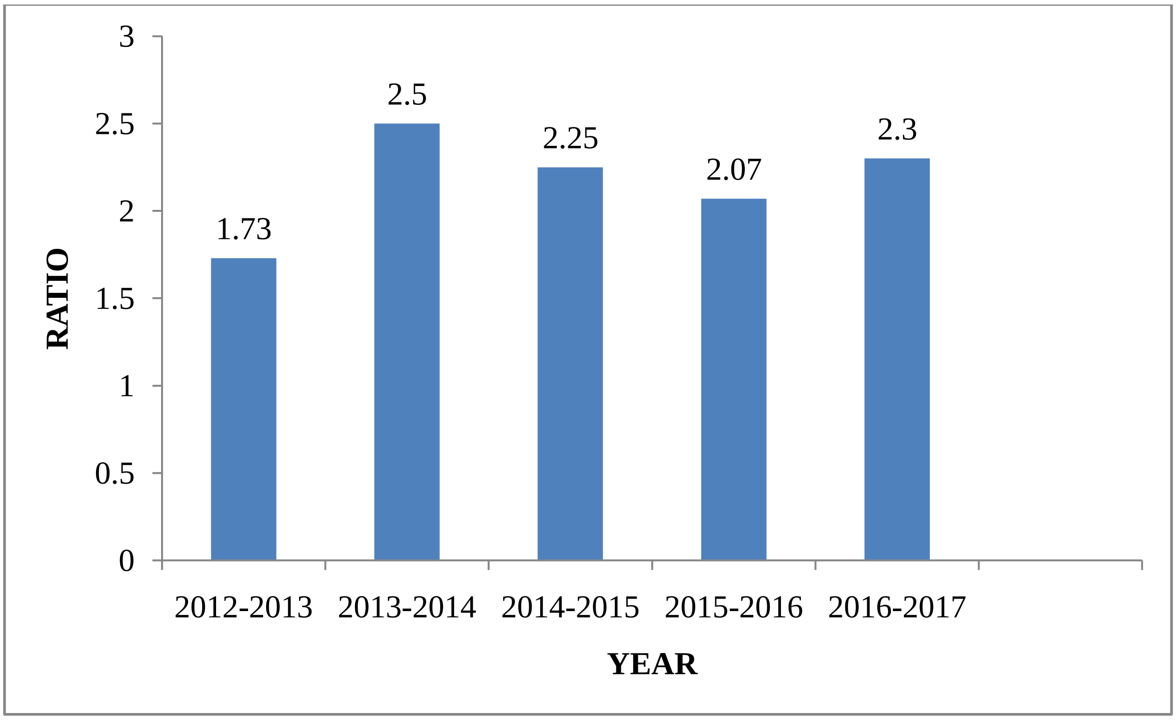
Proprietary ratio = Shareholders fund / Total tangible assets

Year	Shareholders' funds	Total Tangible Assets	Ratio
2012-2013	5308.40	3070.98	1.73
2013-2014	5599.87	2243.25	2.50
2014-2015	6541.33	2912.69	2.25
2015-2016	7944.75	3836.74	2.07
2016-2017	10111.29	4395.59	2.30

Source: Computed

INFERENCE:
The above table shows the proprietary ratio position of the Hero MotoCorp Ltd., The proprietary ratio was ranges from 1.73 to 2.30 during the study period 2012-13 to 2016-17.

PROPRIETORY RATIO



LIQUIDITY RATIO
3.4. CURRENT RATIO

The current ratio is a measure of the firms short term solvency. It indicates the availability of current assets in rupees for every one rupee of current liability. A ratio of greater than one means that the firm has more current assets than current claims against them. The current ratio represents a margin of safety for creditors. The higher the current ratio, the greater the margin of safety. As a conventional rule, a current ratio of 2 to 1 or more is consider satisfactory.

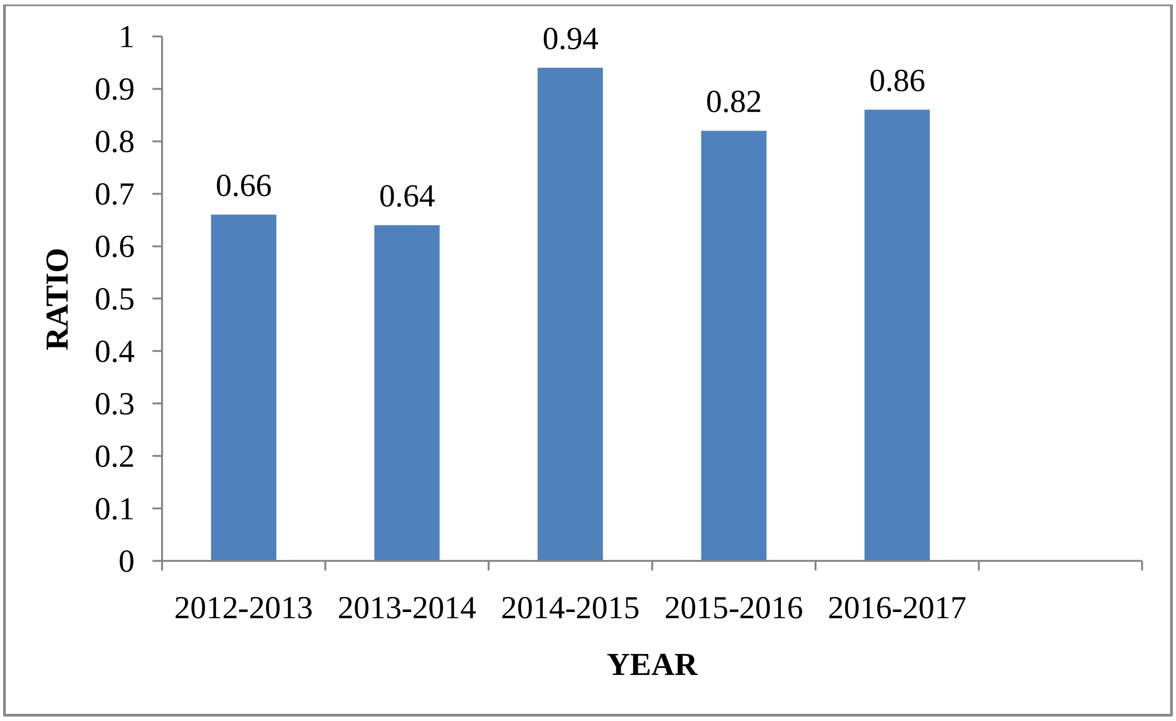
CURRENT RATIO
CURRENT RATIO = Current assets / Current liabilities

Year	Current Assets	Current Liabilities	Ratio
2012-2013	2884.75	4333.25	0.66
2013-2014	2911.17	4497.43	0.64
2014-2015	3742.35	3980.37	0.94
2015-2016	3632.18	4395.94	0.82
2016-2017	3943.77	4582.97	0.86

Source: Computed

INFERENCE:
The above table shows the Current ratio position of the Hero MotoCorp Ltd., The proprietary ratio was ranges from 0.66 to 0.86 during the study period 2012-13 to 2016-17.

CURRENT RATIO



IV. SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSIONS

Performance of a company measured in financial terms, the success of the firm depends on how it is perceived by and reacts to the external economics markets. The field of managing fiancé is much more complicated and faster faces today. Financial managers need to know how effective decisions can be made and ineffective ones be avoided.

The present study is concerned with financial analysis of Hero MotoCorp Limited for a period of five years during 2012-13 to 2016-17. This chapter optimizes the major findings, suggestions and conclusions for efficient utilization with respect to Hero MotoCorp Limited Company.

V. FINDINGS

- The Gross Profit Ratio was increased the ratio of 16.27 in the year 2016-17 and decreased 12.84 in the year 2014-15.
- The Net Profit Ratio was increased in the ratio of 11.85 in the year 2016-17 and decreased 8.34 in the year 2013-14.
- Proprietary ratio was increased the ratio of 2.30 in the year 2016-17 and the decreased 1.73 in the year 2012-13.
- Current ratio was increased 0.94 in the year 2014-15 and decreased 064 in the year 2013-14.

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