A COMPARATIVE ANALYSIS OF THE FINANCIAL PERFORMANCE OF TOP FIVE COMMERCIAL VEHICLE MANUFACTURERS FOR ABT INDUSTRIES LTD, COIMBATORE

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Abstract

The Indian commercial vehicle industry has been an important contributor to the country's economic growth and development. The research on the Indian commercial vehicle sector is important because it is a significant contributor to the Indian economy, and research on the sector can help to understand its financial status, economic impact, investment opportunities etc. The information can be used by manufacturers, suppliers, and other stakeholders to adapt their strategies and stay competitive in the market. In today's world, research on commercial vehicles is more important than ever, because the global economy becomes increasingly complex and unpredictable. This research project helps in identifying the financial health and position of top 5 commercial vehicle manufacturers which was carried out with the help of analysis such as Ratios analysis, Trend analysis, Commonsize balance sheet, Comparative balance sheet, weighted average cost of capital, Capital structure and Leverage analysis. These analyses help in finding out the current financial health and position of the Indian commercial vehicle industry

Keywords: Commercial vehicle, financial performance and analysis

1. Introduction

The commercial vehicle sector in India plays a critical role in the country's economy by enabling the transportation of goods and materials across the country. The Indian commercial vehicle market is one of the largest in the world, with a growing demand due to the increasing trade and commerce activities. The commercial vehicle industry also plays a significant role in India's economic growth and development, contributing a substantial percentage of the country's GDP.

This research attempts to figure out the financial analysis of top five commercial vehicle manufacturers. For this study secondary data is been used to analyse. After the analysis, findings are been given and suitable suggestions are also been given to bridge the gap. Thus this research helps to find out the current and future performance of the commercial vehicle.

1.1 Tools used for analysis

In this research Ratios analysis, Trend analysis, Commonsize & Comparative balance sheet, weighted average cost of capital (WACC), Capital structure and Leverage analysis were commonly used tool for evaluating the financial performance of companies.

The above mentioned financial analysis tools are essential for evaluating a company's financial health, performance, and future prospects. They provide valuable insights into the company's strengths and weaknesses and help in making informed investment decisions.

1.2 Industry profile

The commercial vehicle industry refers to the production and sale of vehicles that are used primarily for business purposes. The commercial vehicle industry is a significant contributor to the global economy and plays an essential role in the transportation of goods and people. The commercial vehicle industry is a vast and diverse market that caters to various business segments. The primary customers of the industry are companies engaged in transportation of goods and people, including logistics providers, bus and coach operators, and delivery companies. The commercial vehicle industry can be segmented based on vehicle type, fuel type & end-use application.

1.3 List of Companies taken for research

For this research the companies that are taken includes TATA motors, Ashok Leyland, Eicher motors, Hindustan motors, Mahindra and Mahindra these have been picked based on the market capitalization

1.4 Objectives of the study

Primary objective

- To analyse the financial performance of top five players in Commercial vehicle sector

Secondary objective

- To analyse trend and ratios of Commercial vehicle sector over the last 5 years.
- To analyse the overall financial position and to make a comparative analysis of the top five players of commercial vehicle sector.
- To analyse the financial health and stability of top five players of Commercial vehicle sector over the last five years.

1.5 Data collection

Secondary data is an important source for this study. The data are been taken from financial statement of the company and from the stock market databases

1.6 Research design

Quantitative research is a type of research that involves collecting and analysing numerical data in order to draw conclusions to answer research questions and make generalizations. Hence the study is Analytical in nature

1.7 Period of study

The research study conducted is with the data available between the years 2018 to 2022 that would cover a period of five years.

1.8 Limitations

- Subjectivity: The interpretation of analysis can be subjective, and different analysts can arrive at different conclusions based on the same data. This can lead to differing opinions and investment decisions.
- Reliance on past data: The analysis is based on historical financial data, and do not take into account future events or changing market conditions. This can lead to oversights or incorrect conclusions about the financial performance of a company
- Time constraints: The study is limited to a period of 5 years i.e. from a period of 2018 to 2022

2. Data interpretation and major findings

2.1 Ratio analysis

The ratios that have been taken for the study includes liquidity, solvency and turnover ratios.

The findings for the liquidity ratios includes; Eicher motors have archieved the ideal ratio for both current and quick ratio and rest companies failed to archieve the ideal ratio.

The findings for the solvency ratios includes; Debt to equity ratio is poor for all five companies, Eicher motors and Mahindra and Mahindra have archieved an ideal equity ratio and interest coverage ratio is satisfactory for all companies.

The findings for the Turnover ratios includes; Eicher motors and Mahindra and Mahindra have archieved an ideal turnover ratio and Hindustan motors stands poor in turnover ratio.

2.2 Trend analysis

The major trend that are been analysed includes sales, income, expenditure, operating income, net profit and earnings per share (EPS)

When analysing the trend by keeping 2018 as the base year it indicates that the for the 2019 alone the values are been high when compared to rest years, this implies that the effect of covid-19 on the commerical vehicle industry. Only Mahindra and Mahindra has a positive trend for the year 2022 this indicates that the company has revived from covid-19 and rest didn't.

2.3 Commonsize & Comparative balance sheet

For commonsize & comparative statement the study took the years 2021 and 2022.

The major findings include that the non-current liabilities, fixed asset and non-current assets are been decresed for all companies for the year 2021 and 2022 and current asset alone shows a increse for all five companies for the year 2021 and 2022.

2.4 Capital structure analyis

The capital structure shows the companies debt and equity usage. There is no optimum level for this mix companies use according to their need and policies.

The major findings include; the debt is high when comapared to equity for all companies except Hindustan motors where it has more equity than debt.

2.5 Weighted average cost of capital

Weighted average cost of capital is the return that the lender or shareholder expect to receive in return for the capital that they have provided

The Weighted average cost of capital lies for all companies lie around a percentage of 11 except for Hindustan motors it has a percentage of 14

2.6 Leverage analysis

For this study we have used financial leverage, operating leverage, degree of financial and operating leverage.

The findings include the operating leverage for all the companies seems to be above 1, degee of leverage keeps on fluctuating and Eicher motors alone seems to satisfy the ideal ratio.

3. Suggestions

- The accounts receivables should be increased to increase the current ratio for the companies
- Current liabilities should be reduced
- The revenue must be increased to get an ideal debt-to-equity ratio
- By decreasing the expenses we can get an ideal working capital ratio
- The capital structure for Hindustan motors should be restructured
- The Weighted average cost of capital should be reduced for Hindustan motors since it has high Weighted average cost of capital

4. Conclusion

The purpose of this research is to study the financial aspect of commercial vehicle manufacturing companies. The research consists of top 5 commercial manufacturers that include Tata motors, Ashok Leyland, Eicher motors, Hindustan motors and Mahindra & Mahindra. The analysis such as ratio analysis, trend analysis, commonsize and comparative balance sheet analysis, capital structure, weighted average cost of capital and leverage analysis are carried out to find the financial aspect of the companies.

The COVID-19 pandemic has significantly impacted all the commercial vehicle manufactures worldwide. Because of the pandemic all the commercial vehicle manufactures faced loss. However, the some commercial vehicle manufactures had shown profits in the year 2022 that indicates the recovery from the pandemic.

This research is essential for the commercial vehicle industry as this study plays a crucial role in providing insights about each company financial performance for past 5 years by identifying their trends, finding the ratios, finding out the capital structure and analysis the leverage of each commercial vehicle manufacturing companies. In conclusion, this study is essential for manufacturers and peoples as commercial vehicle industry is capital-intensive, complex and dynamic sector that requires continuous research to stay competitive and relevant.

Thus this research helps aids in making informed decisions related to investments, financing, and risk management. By identifying market trends, assessing customer needs, developing new technologies, improving product performance, and staying informed about the latest developments in the industry, manufacturers can develop products that meet the evolving needs of customers and stay ahead of the competition

5. References

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