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# Profitability Analysis of Two-Wheeler Manufacturing Companies in India

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**ABSTRACT:** India is one of the leading automobile manufacturer and exporter in the world. Automobile industry is one of the key industries in India, this industry is becoming the backbone of other industries, since goods are sent to market across the country from the production place through transport. Two-Wheeler industry is a fast- growing industry in India, contributing to lifestyle, transportation and pleasure rides. Growing incomes and changing lifestyle have put pressure on two-wheeler manufacturer companies so that are facing tough competition. Two-wheeler companies launch several new concept and model in society. This paper analyzes the profitability of two Wheeler companies in India for a period of five years (2018-19 to 2021-22). This research paper focus on the Profitability and statistical analysis of Hero Motor Corp, Bajaj Auto limited, TVS analysis has been done based on some selected parameters profitability, liquidity and ratio analysis. Profitability ratio Helps the management to know about the earning capacity of the company with respect to various profitability measures like Gross Profit Ratio, Net Profit Ratio, Operating Profit Ratio and PBIT Ratio,conclusions are drawn with the help of results obtained aforesaid techniques.

## I. INTRODUCTION

Indian automobile industry is one of leading industries in the world. Two-wheeler industry is fast growing industry in India, contributing the lifestyle, transportation and pleasure rides. Everyday millions of Indians like two wheelers, because a motor bike is a powerful to two-wheeler purchased for its speed and steadiness. It is highly popular among youngsters keen on speed and sound.

Growing income and changing lifestyle have put pressure on two-wheeler manufacturer companies so that facing tough competition. Two-wheeler companies launched several new concepts and models in motorbikes like Hero, Bajaj, TVS, Honda etc. The industry has created a variety of motorbikes for different user segments and sub segments including women and children, students, adventure seekers, labours, city commuters and the fitness conscious.

Two-wheeler companies dominate the segments with a combination of customer friendly product and marketing strategy that is aim at maintaining its leadership position. As a 2021, the global automotive industryis facing a number of challenges, including economic uncertainty, changing consumer preferences, and increasing regulatory pressure. One of the major challenges for the industry is the economic uncertainty caused by the ongoing COVID 19 pandemic. The pandemic has led to a significant decline in consumer demand for automobiles, resulting in production and sales reductions for many companies. Another major challenge for the industry is the changing consumer preferences, as more and more people are shifting towards electric vehicles and other alternative -fuel vehicles.

## II. OBJECT OF THE STUDY

The study covers three reputed two-Wheeler manufacturing companies in India. The present study attempts to obtain an insight into the financial position of the selected companies of two-Wheeler industry in India and to analyze their profitability and financial strength.

The profitability of selected companies during the five years from 2017 -18 to 2021-22 will be examined. The project study will include the following three two-wheeler manufacturing companies.

1. Hero MotoCorp Ltd.
2. Bajaj Auto limited.
3. TVS Motor Company limited.

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**Hypothesis: -**
There is no significant difference between the samples unit lies for profitability ratios during the steady periodof selected two-Wheeler manufacturing companies.

**Research methodology: -**
The data relating to the profitability position of the automobile companies, under study will be collected mainly from the published annual report and accounts of these companies for the financial year from 2017 - 18 to 2021- 2022. The data has been analyzed with the help of ratio analysis.

**Limitations of the study: -**
The data which is collected for the present study is entirely secondary in nature and in that case of the study carries all the limitation inherent with the secondary data. The study is restricted to three companies for the period of five years.

## III. REVIEW OF LITERATURE

1. **Dr. Ritu Paliwal and Dr. Vineet Chouhan,** have done "The relationship between liquidity and profitabilityin Indian automobile industry, in 2015. In this study, they have made the study on profitability and liquidity ratios. They mentioned in detail about gross profit ratio, net profit ratio, quick ratio, amount receivable turnover ratio, return on assets and return on investment ratio in the research.

2. **Jain & Kaur 2016** liquidity ratio analysis is a useful tool for evaluating a company's ability to meet its short-term financial obligations, such as paying its bills and debts. By analyzing a company's current ratio, quick ratio and cash ratio, investors and analysts can gain insight into the company's liquid position and its ability to pay off its short-term debts.

3. **Abhinandan Mukherjee** has written an article on "The Indian automobile is spending into the future" in this article he wrote about Indian automobile faced many problems and barriers and also given data regarding per capital income GDP etc.

4. **Rajavathana & Ganesamoorty 2013** in their study analyze the working capital performance of selected automobile companies in using ratio analysis and Y- score model. The study found that Tata Motors limited,Mahindra and Mahindra Limited suffered by negative working capital for six and two years respectively. These companies did not have current and liquid ratios as per the standard norms in the study period.

## IV. ANALYSIS OF PROFITABILITY

Various ratios for the selected period are calculated and there.

**Table 1 Net Profit Ratio**

| Year/Companies | HMC | BAJAJ | TVS |
|---|---|---|---|
| 2017-18 | 16.16 | 11.47 | 4.37 |
| 2018-19 | 15.45 | 10.05 | 3.68 |
| 2019-20 | 17.04 | 12.59 | 3.60 |
| 2020-21 | 16.41 | 9.62 | 3.65 |
| 2021-22 | 15.14 | 8.45 | 4.29 |
| Average Ratio | 16.04 | 10.44 | 3.92 |

Table 1 shows that net profit ratio of two-wheeler companies in India. Net profit ratio showed fluctuating in each year. The average of HMC was 16.04%, the Bajaj was 10.44% and the TVS was 3.92%. I can be said that the HMC was higher than that of the Bajaj and the TVS. The TVS company's performance was not so good. The combined average ratio of three companies was 10.13%.

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**Table 2 Operating Profit Ratio**

| Years/Companies | HMC | BAJAJ | TVS |
|---|---|---|---|
| 2017-18 | 18.01 | 24.36 | 8.42 |
| 2018-19 | 16.70 | 21.96 | 7.91 |
| 2019-20 | 16.42 | 22.82 | 8.39 |
| 2020-21 | 14.93 | 22.36 | 8.72 |
| 2021-22 | 13.42 | 19.51 | 9.52 |
| Average Ratio | 15.90 | 22.19 | 8.6 |

The operating margin indicates how much of the generated sales is left when all operating expenses are paid off. Table 2 clear the position regarding the operating profit ratio of the selected two-Wheeler companies in India. The average operating profit ratio of HMC was 15.90%, 22.19% of Bajaj and 8.6% of the TVS company.It means Bajaj was better than the HMC and TVS company. All the three companies combined average ratiowas 15.56%.

**Table 3 Return on Net Worth Ratio**

| Years/Companies | HMC | BAJAJ | TVS |
|---|---|---|---|
| 2017-18 | 31.41 | 21.29 | 23.00 |
| 2018-19 | 26.32 | 21.46 | 20.02 |
| 2019-20 | 25.70 | 25.59 | 16.36 |
| 2020-21 | 19.50 | 18.07 | 14.36 |
| 2021-22 | 15.66 | 18.81 | 18.53 |
| Average Ratio | 23.72 | 21.04 | 18.52 |

Table 4 shows Return on net worth of each company for five years and it show the average return on net worthratio of HMC was 23.72%. It is higher than other companies and TVS company showed low result of 18.52%.Actually, this ratio is useful as a measure of how well a company is utilizing the shareholders' investment to create returns for them and can be used for comparison purpose with the competition in the same industry. All the three companies combined average return on net worth was 21.09.

**Table 4 Current Ratio**

| Years/Companies | HMC | BAJAJ | TVS |
|---|---|---|---|
| 2017-18 | 2.04 | 2.25 | .68 |
| 2018-19 | 1.96 | 1.45 | .78 |
| 2019-20 | 2.08 | 1.55 | .72 |
| 2020-21 | 1.79 | 2.51 | .75 |
| 2021-22 | 1.99 | 2.13 | .65 |
| Average Ratio | 1.97 | 1.98 | 1.19 |

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The table 4 shows the analysis of current ratio for the period of five years. The current ratio of TVS companyis not at the satisfactory level. This indicates that it is the sign of financial weakness, as it suggested that the company may not have enough liquid assets to cover its short- term debts. Average ratio of current ratio the HMC was 1.97%, the Bajaj was 1.98% and the TVS was 1.19%. The combined average ratio of three companies was 1.71%.

## V. CONCLUSION

The analysis of financial statement is a process of evaluating the relationship of component parts of financial statement to obtain a better understanding of the company's position and performance. Operating profit ratio and the net profit ratio are fluctuating in each year, but the TVS company's performance was not good. It is suggested that to increase the level of net profit ratio in the future. The return on net worth ratio is at the satisfactory level. The current ratio of TVS motor is not at the satisfactory level. This indicate that it is the sign of financial weakness as it is suggested that the company may not have enough liquid assets to cover itsshort -term debts. A study has been highlighted the liquidity and Profitability position of the automobile sector;hence it suggests that all selected company should maintain standard ratio of liquidity. Performance of Hero Motor Crop and Bajaj are satisfactory in compared to TVS motors it is conclude that the TVS Motor Companylimited should improve the financial position of the company in the future**.**

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