

HERO MOTOCORP LTD VERSUS TVS MOTORS COMPANY LTD: A FINANCIAL TEST DRIVE

Ms.N.Uma Maheswari

(ORCHID Id: 0000-0002-1978-8374), Research Scholar, Department of Management Studies, Nehru College of Management, Affiliated to Bharathiar University, Coimbatore.

Dr.L.Karthikeyan

(ORCHID Id: 0000-0002-1966-3096), Professor, Department of Management Studies, Nehru College of Management, Affiliated to Bharathiar University, Coimbatore.

ABSTRACT

Background: India is being the go-to market for many automobile industries in the world. Especially two-wheeler segments have a huge market in this country compared to any other. There are world's leading scooter and motorcycle manufacturers based in India and operating across the globe. In this rapid growth of this sector, it is important and interesting to compare the financials of top two companies by using their financial statements and analyse the strength and weakness financially between them.

Purpose: This study will analyse the Hero MotoCorp Ltd financials and the TVS Motors Company Ltd financials and compare them using various financial tools to find out the best in each aspect.

Theoretical framework: The main drivers of the two wheel market in India are macroeconomic variables. The growth of India's economy and rising disposable income has enabled an expanding proportion of the population to buy their own transportation. The strong demand for two wheelers was a major factor in this. Income levels for the upper classes and urban populations have risen substantially as India's economy grows. This has led to increased purchasing power and a more willingness to spend on personal vehicle. Two wheelers are an efficient mode of transport, making them a popular choice for most people. The Hero MotoCorp Ltd and TVS Motor Company Ltd are mounting their revenues beyond Rs. 25000 crores for the financial year 2022-2023.

Objectives: The primary objective is to compare the financials of Hero MotoCorp Ltd and TVS Motor Company Ltd by using their financial statements. Secondary objective is to annotate the financial position of Hero MotoCorp Ltd and TVS Motor Company Ltd using the various financial parameter and to decipher the financial analysis concept.

Methodology: The article was done by equating the two companies for the five years from 2019 to 2023. The study is based on the financial and annual reports disclosed by the companies. To investigate the financial performance of Hero MotoCorp and TVS Motors various ratios and regression analysis were used.

Findings: By analysis the two automobile companies' financial performance such as Hero MotoCorp and TVS Motors gives us vast amount of knowledge about their execution. The study was conducted using secondary data collected from annual reports, reputed journals and books. After the analysis of financial statements both the companies the performance of Hero Motors is higher than the TVS Motors. Even though the TVS Motors performance is lower than Hero MotoCorp the net profit, net sales, earnings per share, gross profit are in increasing trend and if the company puts more effort in

attracting the investors it can improve the financial performance. Finally, after analysing the statements, it shows that the Hero MotoCorp performance is higher than the TVS Motors.

Keywords: Financial performance, effectiveness, Automobile Industry, Profitability.

INTRODUCTION

Not only has the sale of new bikes produced them revenues but the sales of spare parts and accessories where also been a big contributor. Two-wheeler segments in India have been a battlefield for these manufacturers as they are forced to introduce new models and variants almost every month of the year to sustain the competition. There are a lot of upgrades like BS 6, BS 7 and including the emerging EV buzz. The growth of these industries doubles their digits every year and still a long way to go as per their vision and mission statements. Nevertheless, the Government of India is also keen on safety and environmental concerns. A lot of factors stimulate these companies which in turn impacts the financials of these companies. World's highest-selling motorcycle –Splendour as one of their product Hero MotoCorp Ltd has announced Rs. 34,371 crore in revenue for the financial year 2022-2023 and the veteran scooter brand in India TVS Motor Company has announced Rs 26,378 crore for the same financial year.

OBJECTIVES

1. To compare the financials of Hero MotoCorp Ltd and TVS Motor Company Ltd by using their financial statements
2. To annotate the financial position of Hero MotoCorp Ltd and TVS Motor Company Ltd with the help of ratios as a parameter.
3. To decipher the financial analysis concept.

RESEARCH METHODOLOGY

Financial reports of Hero MotoCorp Ltd and TVS Motor Company Ltd from National Stock Exchange and Bombay stock Exchange and other relevant websites were used for the study. For the study two automobile companies are selected which are Hero MotoCorp Ltd and TVS Motor Company Ltd. For the financial analysis, the years taken for the study is between the years 2019 to 2023 and liquidity, efficiency, profitability and debt were the tools for the study..

REVIEW OF LITERATURE

Praveen Jha, Preksha Mishra, Kamya Singh (2023) explains the Indian automobile industry during pandemic. They conducted surveys in the year 2022 & 2023 focusing automobile cluster and components and stakeholders of this automobile industry respectively. The recovery and the future prospects were studied.. **Tapas Sudan, Rashi Taggar (2022)** witnessed in the study that how automobile industry was stranded during pandemic time especially the challenges faced by Maruti Suzuki India and the way they dealt with were discussed. The supply chain disruptions was the major factor of the study which was compared pre, during and post COVID-19 pandemic In this study the vital role of supply chain disruption in Indian automobile Industry were discussed. **Aditya Pratap Singh and Raj Bihari Lal Srivastava (2022)** in their study explained the impact of COVID-19 for automobile sector in India. The paper highlighted the financial comparison of automobile companies during pandemic and also the rally of sales numbers month on month basis. The study not only explains the struggle of the industry but it also reveals the ways and strategies adopted by the Indian automobile companies during the pandemic. **Ms. Akriti Dhiman and Dr. Preeti Garg (2022)** in their research paper aims to analyse the

market using information obtained from the Department of Automotive Industry, the Department of Heavy Industry, and the Department of Public Enterprises in various regions, as well as the actions taken to combat the COVID-19-related economic downturn by examining related issues faced by passenger cars. The focus of this study is on "How to manage present disruptions and get ready for the "new normal," as well as "What is the impact of Covid-19 on the automotive value chain." The main objective of the study is to analyse sales/growth of Automobile Industries (passenger Car Sales) during the Covid-19 Pandemic situation and Lock down in India and to assess the Automobile Market Share during the Covid-19 epidemic in India. **Yan et al. (2020)** To assess consumer choices and factors influencing the purchases of hybrid cars. The impact of demography, the pandemic, and subtle psychological factors on the procurement process were examined using the proposed model. The findings demonstrate how the epidemic has severely impacted car buying. Decisions about the hiring of new employees were influenced by elements including family income, the risk of travel and the relentlessness of the pandemic in the surrounding areas.

ANALYSIS AND INTERPRETATION

Ratio Analysis

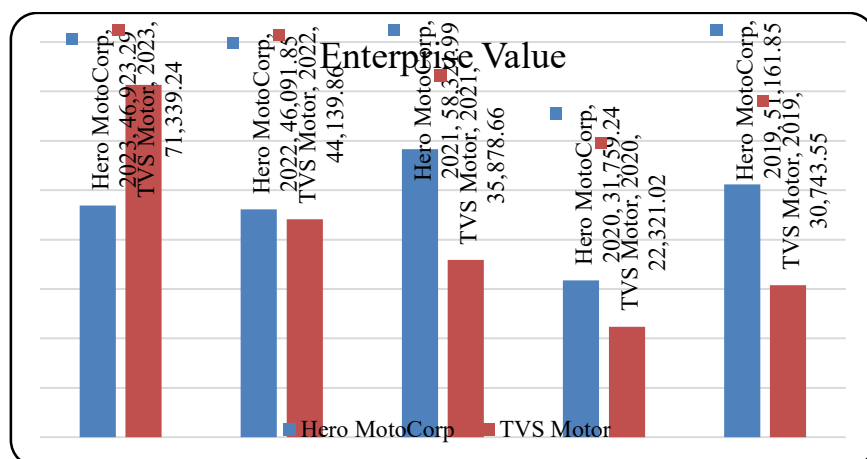
The analysis of TV Motors and Hero MotoCorp was done with the help of ratio analysis. Ratio analysis will help to understand the company's profitability and liquidity position and also helps to know the productivity of the company. The data was analysed with the following ratio.

- Enterprise Value
- Enterprise Value/ Earnings before Depreciation, Interest, Tax and Amortization
- Return on Capital Employed Ratio
- Return on Net worth Ratio
- Gross Profit
- Gross Profit Ratio
- Net Profit
- Net Profit Ratio
- Net Sales
- Earnings per share

ENTERPRISE VALUE(IN Cr.)

Companies/Year					
MotoCorp	3.29	1.85	1.99	9.24	1.85
Motor	9.24	9.86	8.66	1.02	3.55

Source: Annual Reports

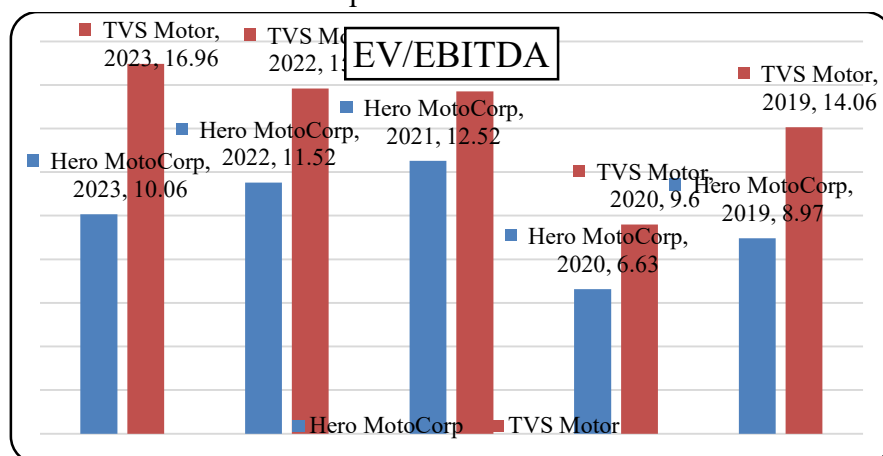


Interpretation: The above chart shows that the enterprise value of TVS Motors was gradually increasing from 30,743.55 to 71,339.24 from 2019 to 2023. Whereas Hero MotoCorp has fluctuation in the year 2019 (51,161.85) in 2020 (31,759.24), in 2021 it is 58,321.99, in 2022 it is 46,091.85 and in the year 2023 it is 46,923.29. Thus, the enterprise value of TVS Motor was higher than the Hero MotoCorp which shows that the performance of TVS Motor is higher than Hero MotoCorp.

ENTERPRISE VALUE/ EARNINGS BEFORE DEPRECIATION, INTEREST, TAX AND AMORTIZATION (EV/EBITDA)

Companies/Year					
Hero MotoCorp					
TVS Motor					

Source: Annual Reports



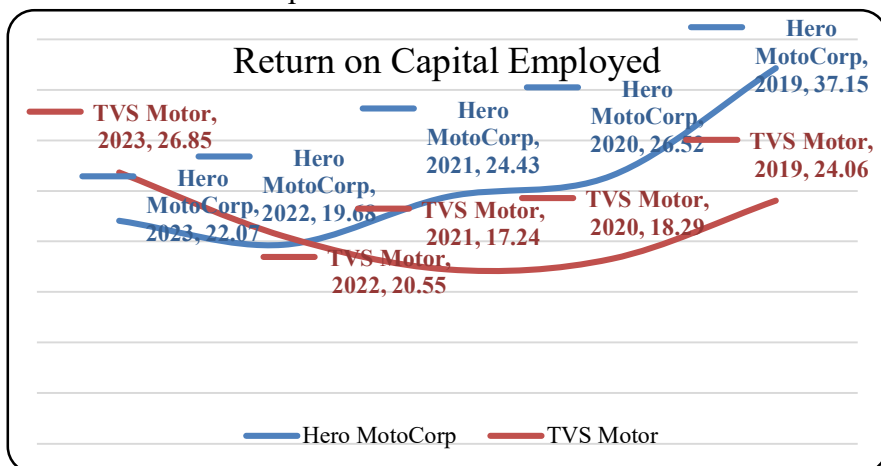
Interpretation: The above table shows that the EBDITA of TVS Motors was gradually increasing from 14.06 to 16.96 from 2019 to 2023. Whereas Hero Moto Corp also increased from 8.97 to 10.06 from the year 2019 to 2023. Thus, EBDITA of TVS Motor was higher than the Hero MotoCorp which shows that the performance of TVS Motor is higher than Hero MotoCorp.

RETURN ON CAPITAL EMPLOYED RATIO

Companies/Year					
Hero MotoCorp					

Motor					
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Source: Annual Reports



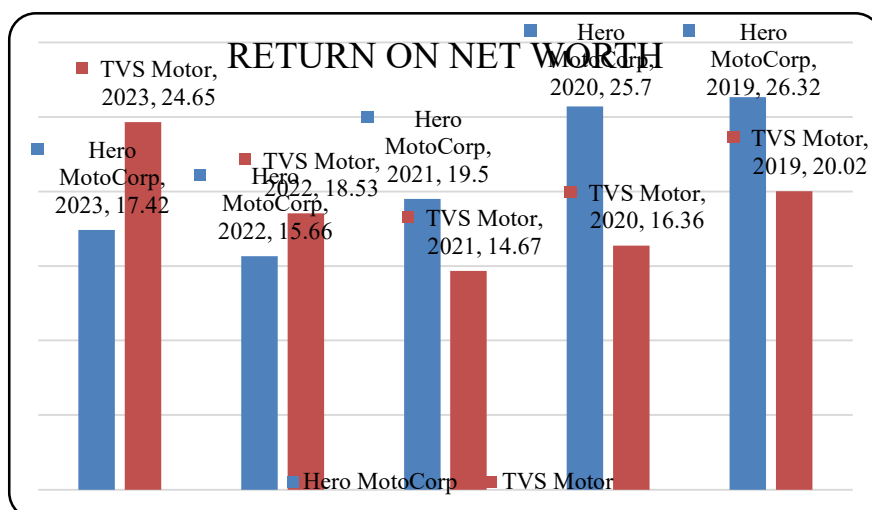
Interpretation: The graph shows the increase and decrease in the return on capital employed by TVS Motors and Hero MotoCorp. The Return on Capital employed by TVS Motors in the year 2019 was 24.06 and it gradually decreased in the consequent

years and the year 2023 it increased to 26.85. The Return on Capital employed by Hero MotoCorp was 37.15 in the year 2019, in the year 2020 was 26.52, in 2021 was 24.43, in 2022 was 19.68, and in 2023 was 22.07. While comparing both the companies the Return on capital employed of Hero MotoCorp is lower than TVS Motors.

RETURN ON NW RATIO

panies/Year					
MotoCorp					
Motor					

Source: Annual Reports



Interpretation: The above chart shows the return on net worth of TVS Motors and Hero MotoCorp. From 2019 to 2021 the RoNW ratio of Hero MotoCorp was higher than TVS Motors. In the year 2019, it was 26.32 and 20.02, 25.7 and 16.36 in 2020, and in 2021 it was 19.5 and 14.67. In the year

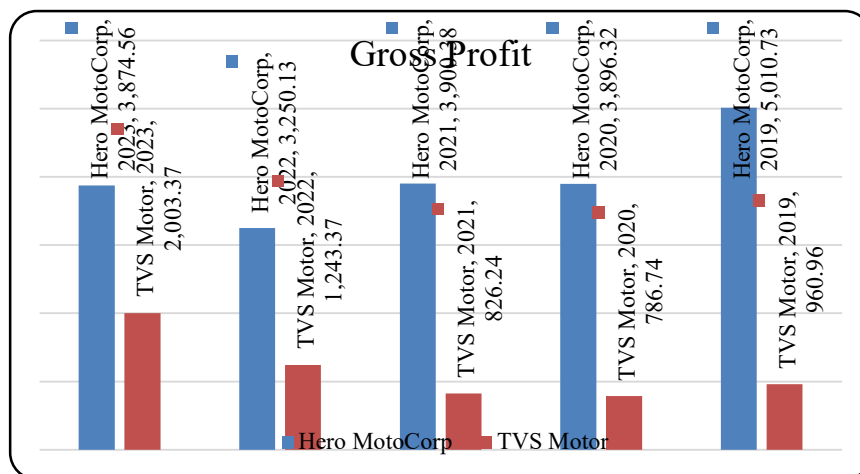
2022 TVS Motors was 18.53 and in 2023 was 24.65. Hero Motors was 15.66 in the year 2022 and 2023 was 17.42. Thus, the Return on NW ratio of TVS Motors is gradually increasing than Hero MotoCorp.

GROSS PROFIT

panies/Year					
MotoCorp	.56	.13	.38	.32	.73

Motor	.37	.37	4	4	6
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Source: Annual Reports



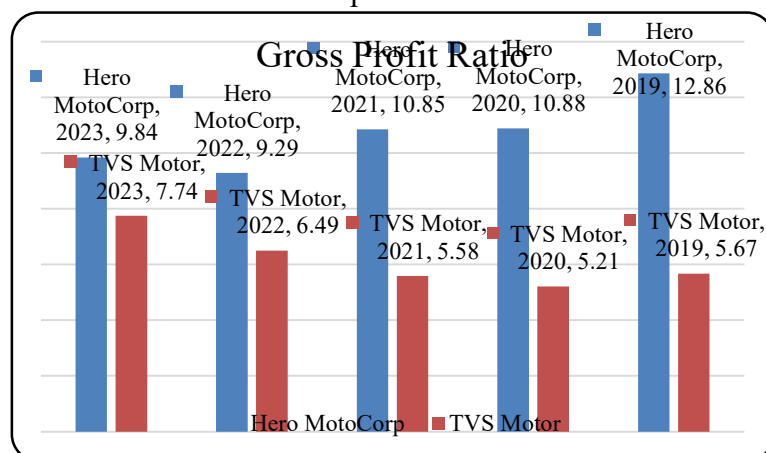
Interpretation: The above chart shows the GP of Hero MotoCorp during the year 2019 was 5,010.73, in 2020 it was 3,896.32, in 2021 was 3,900.38, in 2022 was 3,250.13 and in the year 2023 was 3,874.56. Whereas TVS Motors' gross profit was gradually increasing from the year 2019 to 2023 from 960.96 to 2,003.37.

The gross profit of TVS Motors is comparatively less when compared with Hero Moto during all five years. Even though Hero Moto has a higher Gross profit than TVS Motors, the gross profit decreased when compared to the year 2019 to 2023. But TVS Motors gross profit is gradually increasing year by year. Thus, compared with Hero Moto Corp, TVS Motors has a good financial position.

GROSS PROFIT RATIO

panies/Year					
MotoCorp					
Motor					

Source: Annual Reports



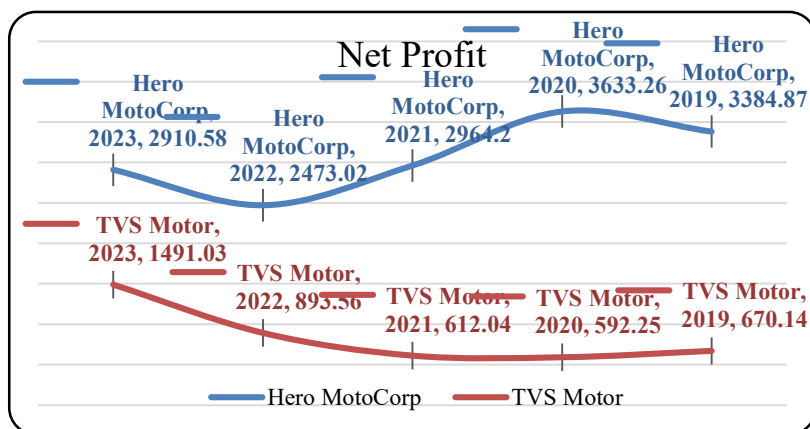
Interpretation: The graphical representation of the Gross profit ratio shows that TVS Motors in the year 2019 was 5.67, in 2020 it was 5.21, in 2021 was 5.58, in 2022 was 6.49, and in the year 2023 it was 7.74. Likewise the Hero Moto has 12.86 in the year 2019, 10.88 in 2020, 10.85 in 2021, 9.29 in 2022 and in the year 2023 it was 9.84. This shows that the gross profit of TVS Motor is

comparatively less than Hero Moto but the value increases gradually over the years. Hero Moto's Gross profit is decreasing from the year 2019 to 2022 and in the year 2023 it increased when compared to the previous year. Even though Hero MotoCorp maintained good gross profit over the years it is decreasing gradually.

NET PROFIT

panies/Year					
MotoCorp	58	02	20	26	87
Motor	03	6	4	5	4

Source: Annual Reports



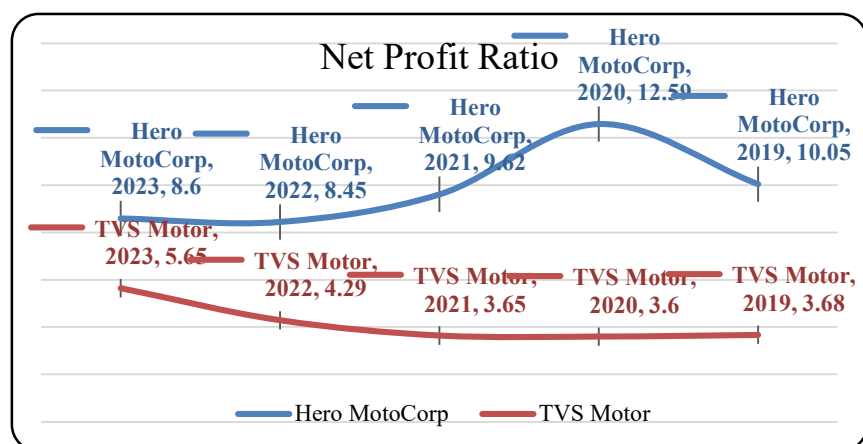
Interpretation: The above line chart shows that the net profit of Hero Moto was 3384.87 in the year 2019 and increased to 3633.26 in the year 2020. From the year 2021, it gradually decreased and in the year 2023, it was 2910.58. As of TVS Motor, the net profit in the year 2019 was 670.14, in the year 2020 was 592.25 and in the

following years it increased and in the year 2023 it was 1491.03. When comparing Hero Moto, the net profit is higher than the TVS MotoCorp but the TVS Moto increased its net profit over the years and Hero Moto's net profit decreased compared with other years.

NET PROFIT RATIO

panies/Year					
MotoCorp					
Motor					

Source: Annual Reports



Interpretation: The above graph of TVS Motor and Hero MotoCorp shows the NP ratio for five years. The NP ratio of TVS Motor in the year 2019 was 3.68, in 2020 was 3.6, in 2021 was 3.65, in 2022 was 4.29 and in the year 2023 was 5.65. Like Hero MotoCorp, it was 10.05 in the year 2019, in 2020 was 12.59, and then

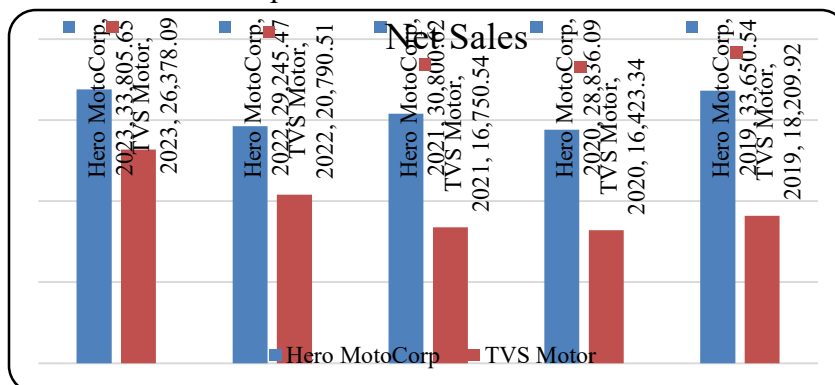
it decreased to 8.6 during the year 2023. From this, Hero MotoCorp has the highest Net profit ratio than TVS Motor but over the years it has reduced in nature. Whereas TVS Motor's Net profit was less compared to Hero MotoCorp it increased gradually year by year.

NET SALES (IN Cr.)

panies/Year					
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MotoCorp	5.65	5.47	0.62	6.09	0.54
Motor	8.09	0.51	0.54	3.34	9.92

Source: Annual Reports



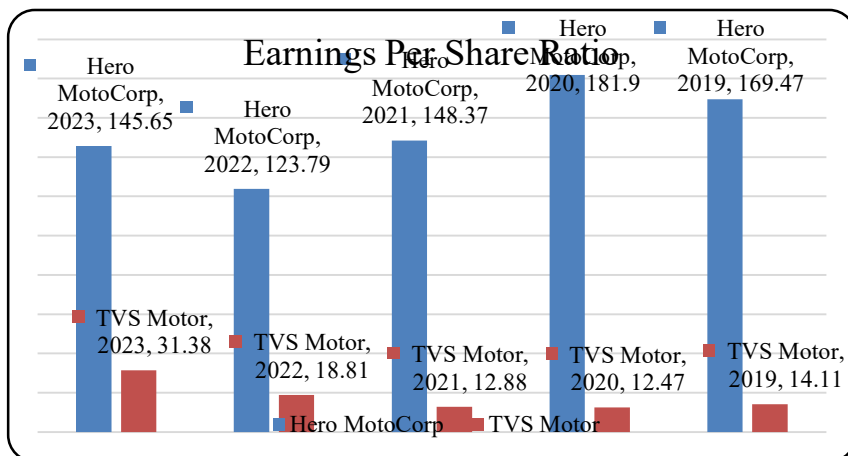
Interpretation: Based on the chart it is clear that TVS Motors has continuous improvement from the year 2019 from 18,209.92 to 26,378.09 in the year 2023. sales of Hero Moto Corp fluctuated in sales in the year 2019 were 33,650.54, in 2020

was 28,836.09, in 2021 was 30,800.62, in 2022 was 29,245.47 and in the year 2023 was 33,805.65. While comparing the sales of both the companies, the TVS Motors value is increasing gradually in a higher level.

EARNINGS PER SHARE

Companies/Year					
MotoCorp	5	9	7	0	7
Motor					

Source: Annual Reports



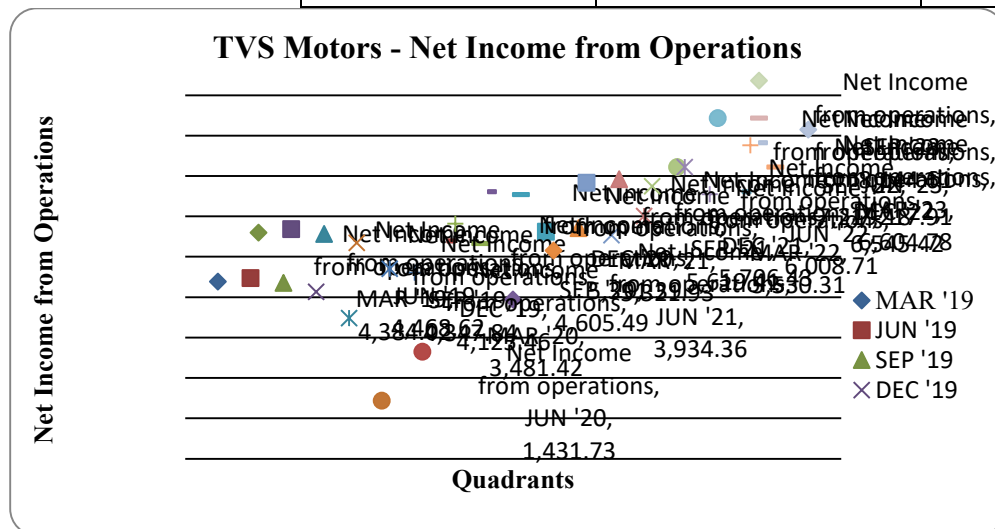
Interpretation: From the above graph, the TVS Motor and Hero Moto earnings per share ratio for the five years are shown. Hero MotoCorp has fluctuated Earnings Per share in the last five years. In the year 2019, it was 169.47, in 2021 was 148.37 and in the year 2023 it reduced to 145.65. But

as for TVS Motor the earnings per share is comparatively less than Hero MotoCorp but the value was progressively increasing from the year 2019 to 2023 from 14.11 to 31.38. Thus, while comparing both companies the Hero MotoCorp has high earnings per share but in a diminishing range and TVS Motors EPS ratio is increasing year by year.

NET INCOME FROM OPERATIONS - COMPARISSION

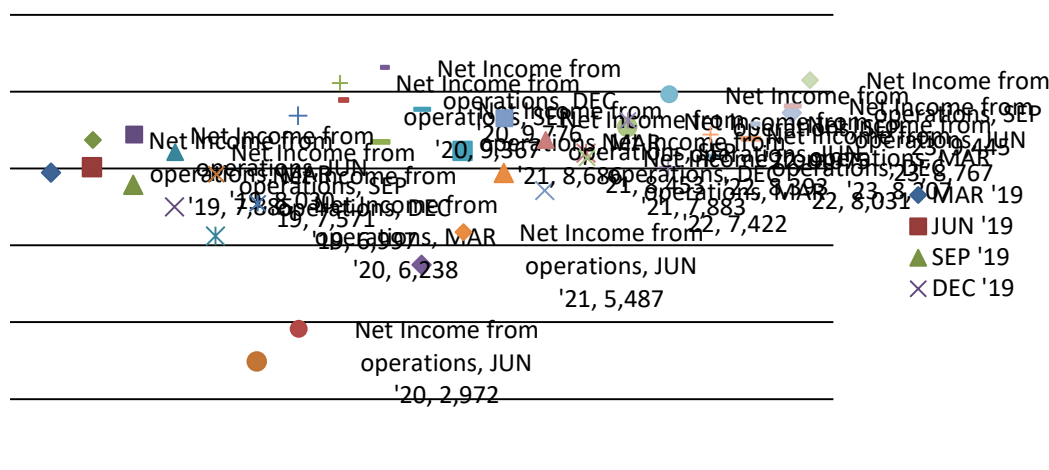
Net Income from operations in Cr		
Quarters	Hero Moto Corp.	TVS Motors

MAR '19	7,885	4,384.02
JUN '19	8,030	4,468.62
SEP '19	7,571	4,347.84
DEC '19	6,997	4,125.46
MAR '20	6,238	3,481.42
JUN '20	2,972	1,431.73
SEP '20	9,367	4,605.49
DEC '20	9,776	5,391.39
MAR '21	8,686	5,321.93
JUN '21	5,487	3,934.36
SEP '21	8,453	5,619.41
DEC '21	7,883	5,706.43
MAR '22	7,422	5,530.31
JUN '22	8,393	6,008.71
SEP '22	9,075	7,219.18
DEC '22	8,031	6,545.42
MAR '23	8,307	6,604.78
JUN '23	8,767	7,217.91
SEP '23	9,445	8,144.61



Scatter Chart 1 – TVS Motor

Hero Moto Corp- Net Income from Operations



Scatter Chart 2 –Hero Motor Corporation

Interpretation: From the above scatter charts 1 & 2 of TVS Motor and Hero Motor Corp. it is evident that the plotted points of net operating income from operations quarter by quarter basis scatters more in Hero Moto Corp compared to TVS Motors which graphically explains that the inconsistency of Hero Motor Corp. in their net income from operation every quarter compared to TVS motors which is consistent.

REGRESSION ANALYSIS 1 – TVS MOTOR

Model Summary (TVS)

<i>R</i>	<i>RSquare</i>	<i>AdjustedRSquare</i>	<i>Std.Error of the Estimate</i>
.80	.64	.62	961.63

ANOVA (TVS)

	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
<i>Regression</i>	28232675.21	1	28232675.21	30.53	.000
<i>Residual</i>	15720417.53	17	924730.44		
<i>Total</i>	43953092.74	18			

Coefficients (TVS)

	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
<i>(Constant)</i>	3042.29	459.24	.00	6.62	.000
<i>Quadrant</i>	222.56	40.28	.80	5.53	.000

Interpretation: Through regression analysis of TVS Motor by having Quadrants as independent variables from March 2019 to Sept 2023 and Net operating Income of TVS on their respective quarters as dependent variables which resulted significance value less than 0.05. By this it is proved that the Net Income from Operations is consistently improved as the Quadrants grow.

REGRESSION ANALYSIS 2 – HERO MOTO CORP

ModelSummary(Hero)

<i>R</i>	<i>RSquare</i>	<i>AdjustedRSquare</i>	<i>Std.ErroroftheEstimate</i>
.36	.13	.08	1528.79

ANOVA(Hero)

	<i>SumofSquares</i>	<i>df</i>	<i>MeanSquare</i>	<i>F</i>	<i>Sig.</i>
<i>Regression</i>	5762691.44	1	5762691.44	2.47	.135
<i>Residual</i>	39732563.24	17	2337209.60		
<i>Total</i>	45495254.68	18			

Coefficients(Hero)

	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std.Error</i>	<i>Beta</i>		
<i>(Constant)</i>	6825.33	730.10	.00	9.35	.000
Quadrant	100.55	64.03	.36	1.57	.135

Interpretation: Through regression analysis of Hero Moto Corp by having Quadrants as independent variables from March 2019 to Sept 2023 and Net operating Income of Hero on their respective quarters as dependent variables which resulted significance value greater than 0.05. Through this it is proved that the Net Income from Operations is inconsistent as the Quadrants grow.

FINDINGS OF THE STUDY

- The enterprise value of TVS Motors is less than Hero MotoCorp from 2019 to 2022. But in the year the value increased than Hero Moto. The TVS Motors gradually increased its enterprise value year by year. We can able to understand the market price per share and the number of equity shares outstanding by TVS Motors during the years. Thus, the performance of TVS Motor is better than the Hero MotoCorp.
- The Enterprise Value/ Earnings before Depreciation, Interest, Tax, and Amortization value of TVS Motors from 2019 to 2023 was higher than Hero MotoCorp. Thus, the performance of Hero MotoCorp is less than that of TVS Motors.
- The return on capital employed by Hero MotoCorp decreased from the year 2019 to 2023. Even though the ROCE value of TVS Motors is less than the Hero Moto during the years it was increasing and in the year 2023, TVS Motors is higher than the Hero Moto.
- The return on capital employed by Hero Motors has consecutively decreased over the years. It shows that the company is lacking in generating profit from its capital invested. So, the company should concentrate more on improving the profit out of capital which is put to use.
- While comparing the return on NW ratio with TVS Motors and Hero MotoCorp we can able to understand that TVS Motors has a higher return for its net worth than Hero MotoCorp in the last two years 2022 and 2023.

- The RONW of Hero MotoCorp reduced slowly from 2019 to 2023. This shows that the company's equity management efficiency is low. And it should concentrate more on improving efficiency by making the right decisions so that there will be good investments from the investors.
- The gross profit ratio of Hero MotoCorp is way higher than TVS Motors but when compared to the year 2019, in the year 2023 the profit reduced. Meanwhile, TVS Motors' gross profit was progressively increasing from the year 2019 to 2023.
- Even though TVS Motors has less Gross profit the utilization of resources is effective so that the value increases year by year. Whereas Hero MotoCorp has to concentrate more on utilizing the raw materials and direct labour properly to enhance gross profit.
- After comparing the gross profit ratio of TVS Motors and Hero MotoCorp from the period 2019 to 2023 the gross profit ratio of Hero MotoCorp was higher. Even though it is higher than TVS Motors the gross profit ratio was gradually reduced over the years.
- Hero MotoCorp needs to concentrate more on generating profit on sales to avoid the decreasing trend in the gross profit ratio. As for the TVS Motor concern, it should keep the overhead costs in control so that it can increase the profit on sales more.
- The Net income of Hero Moto is comparatively higher than TVS Motors from the year 2019 to 2023. But in the case of Hero MotoCorp, the profit was declining year by year till 2022 and slightly increased in the year 2023. However, in the case of TVS Motors, the net profit gradually increased from the year 2019 to 2023.
- TVS Motors' net profit is comparatively low even though it is increasing year by year. So, it has to concentrate more on effective control of costs. In the case of Hero MotoCorp, efficient management will increase the net profit.
- The NP ratio of Hero Moto is greater than that of TVS Motors from the year 2019 to 2023. The ratio of TVS Motors has been increasing slowly year by year since 2019 whereas, the Hero Moto ratio decreased from 2020. So, both companies should concentrate more on increasing the sales.
- To improve the net profit ratio both companies should have the ability to control the costs so that they can sell the products at prices higher than their costs. Likewise, the profit also increases.
- The net sales of TVS Motors are comparatively less than Hero MotoCorp but it is increasing in nature from the year 2019 to 2023. Whereas Hero MotoCorp has fluctuations in sales over the years and in the year 2023 only there was an increase compared with other years.
- Hero MotoCorp should concentrate more on increasing the net sales to have a competitive advantage in the market. Likewise, TVS Motors also should increase the customer range to increase sales.
- Earnings per share of Hero MotoCorp are much higher than those of TVS Motors. But during the years 2021 and 2022 it reduced and in the year 2023, the earnings increased. In the case of TVS Motors, the earning per share is steadily increasing from the year 2019 to 2023.
- Both companies should take care of their earning per share ratio by increasing their earnings. So that the companies will have good profits and the investors will have more interest in the investment.
- The net income from operations of TVS Motors increased year on year consistently whereas Hero MotoCorp resulted inconsistently.

CONCLUSION

This study regarding the two automobile companies' financial performance such as Hero MotoCorp and TVS Motors gives us a vast amount of details on their performance. The work is based on the secondary data collected from the annual reports, articles, and reputed journals and books. After the analysis of the financial statements of both companies, the performance of TVS Motors is higher than that of Hero MotoCorp. Even though TVS Motors' values are lower than Hero MotoCorp in the net profit, net sales, earnings per share, and gross profit, but it shows the increasing trend and if the company puts more effort in attracting investors it can improve the financial performance. Finally, after analyzing the statements, it shows that the TVS Motors performance is higher than the Hero MotoCorp.

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