

# A Comparative Study of Fundamental Analysis of Hero MotoCorp Ltd. And TVS Motor Co. Ltd

[1] Manish Jadhav, [2] Akash Gupta

([1] Student, Self-Financing Courses Dept., Chetana’s H. S. College of Commerce and Arts, Bandra

Email: - [mrjadhav2003@gmail.com](mailto:mrjadhav2003@gmail.com) )

([2] Student, Self-Financing Courses Dept., Chetana’s H. S. College of Commerce and Arts, Bandra

Email: -[akashgupta4679@gmail.com](mailto:akashgupta4679@gmail.com) )

\*\*\*\*\*

## Abstract:

Company’s fundamental analysis plays a critical role in helping stock investors make informed decisions and develop winning investment strategies. This abstract discusses the importance and benefits of applying data analysis techniques to stock market investors. In order to support the goals and validate the findings of this research, different analytical tools and techniques and analytical practices are used and incorporated to provide a systematic foundation for this research. The fundamental analysis is also very relevant for the investor who has invested in this company and who wants to invest in this company. The fundamental analysis helps investors to determine the real or ‘fair market’ value of a stock, which is the difference between the intrinsic value of a stock and the overvalued value of a stock. By analyzing economic and financial elements, fundamental analysis can predict future price trends, determine fair value, evaluate management, evaluate a company’s ability to outperform competitors, and analyze financial strength.

**Keywords** — Fundamental Analysis, Hero MotoCorp, TVS Motor Co., Ratio Analysis

\*\*\*\*\*

## I. Introduction

Among the various variants and segments of the automobile industry, the two-wheeler segment has gone through successive and constant phases of change, experimentation and innovation. This is the characteristic of two wheelers segment of the automobile industry that provides adequate resources for systematic studies and research on why, how and what it is that buyers of this segment continue to demand and love. The success of a nation is largely dependent on its economy. A large part of any nation’s GDP comes from its corporate investments. But in today’s world if we have to compare this selected companies, there are two

ways qualitative and quantitative analysis. Ratio analysis comes under quantitative analysis.

There are 18 automobile companies listed on the stock exchange. In that some are working under four-wheeler industry and remaining in two-wheeler industry. For this research, researcher chose two-wheeler industry as research area. In India, the two-wheeler industry makes about 7% of the manufacturing GDP. Additionally, it makes up 2% of GST receipts. India is thought to be home to 190 million two-wheelers. Currently, over 80% of India’s entire automobile output consists of two-wheelers. Another reason behind making this

research is, in India two-wheelers are the main vehicles used to commute from one place to another. Hence, it is very essential to understand the fundamentals of the companies available in the market.

## **II. Review of Literature**

Dr. Khaladkar (2020) in her paper titled 'A study of fundamental analysis of automobile companies in India' she conducted research on five significant Indian automakers between 2014 and 2018. All automakers performed well over the previous ten years, according to her analysis, but among the five firms she chose, Toyota Kirloskar had the largest NPM, or earnings, among them all.

Dr. Shankar and Ashwin S. (2023) in their research paper named 'Financial Analysis of Hero MotoCorp Ltd.', To assess the financial performance of the company over a period of five years (2018-2022), they conducted a ratio analysis and compared the company's balance sheet. In their findings, tangible assets decreased in 2022 by Rs.190.17 (3.33%) compared to 2021; non-tangible assets grew by Rs.8.24 (2.83%) in 2022; Capital work in progress declined by Rs.90.54 (50.9%) in 2022; 2. Fixed asset turnover ratio remained relatively high in 2022, indicating efficient utilization of fixed assets; however, this ratio has decreased over the years. Therefore, the company needs to focus on optimizing the use of fixed assets to sustain profitability.

Bhatol (2021) researched on 'Financial Statement Analysis of Bajaj Auto and Hero MotoCorp', In his research, he found that the COVID-19 pandemic had a negative impact on two-wheeler companies' market share. According to his findings, Bajaj Auto Limited's profitability ratio was more positive than Hero Moto Corp.'s, while Hero Moto Corp. had an average and lower ratio. He also found inefficiencies in generating revenue from Hero Motor's assets, while Bajaj Motors had a positive generating revenue from their assets.

Dr. S. Saguna (2020) in her research titled 'A Study on Financial Performance Analysis of Hero MotoCorp Ltd.', Using secondary information and an analysis research design, she analysed the company's financial performance over a five-year period (from fiscal year 2014-15 to fiscal year 2018-19) following the ratio analysis. She discovered that return on capital employed in 2015 was at 1.05; in 2016, it increased to at 1.16; after that, it showed a decreasing trend year over year.

Mr. Sawant (2019) in his research paper designated 'Fundamental Analysis of Selected Automobile Companies for DSIJPL', in this paper, he compared five Indian Automobile companies. He conducted a comprehensive analysis of industry factors through the Competitive Forces Model (Porter's 5 factors Model) and PESTEL Analysis.

S. Sivakumar (2005) in his research paper titled as 'A comparative study on performance between TVS and Hero Motor Co.', the researcher conducted an analysis of the business practices of Hero and Honda when they were jointly operating in India. His findings showed that Hero Honda outperformed TVS Motors at the time. The reason for Hero Honda's success is that they had an Indian partner who was already in charge of their bike distribution, and Honda.

## **I. Research Methodology**

### **A. Statement of Problem**

There are many researches done in the past on comparative analysis of two companies in the same industry. Financial statement analysis and interpretation is a common practice to review the performance of the companies. But financial data, performance, statistics is changing each and every year. Today, the risk of every company is growing day by day and the need for finance to run the business is increasing. Therefore, it is necessary for every organization to evaluate their performance every year in order to get a position in the market. The comparison of financial statements with the help of ratios is effectively proven and powerful analytical tool for measuring the performance of the selected companies.

### **B. Scope of Study**

1. This study has greater significance and provides benefits to various parties whom directly or indirectly connected with the company.
2. The finding and suggestion throw light on the guidelines for the effective functioning of the company.
3. The study is carried out with the help of last five years (From FY 2018-19 to FY 2022-23) financial statement of the company.

### **C. Objectives of Study**

1. To compare the financial statements for the past two financial years with the aid of ratio analysis.
2. To identify whether their equity shares are undervalued or overvalued.
3. To provide suggestions for improving the overall performance of Hero MotoCorp and TVS Motor Co.
4. To suggest investors whether they should invest or not in selected stocks.

### **D. Data Collection**

For the purpose of the current study, data was mainly sourced from secondary sources such as annual reports of the official websites, newsletters, magazines and journals of the companies from FY 2018-19 to FY 2022-23. For data analysis official companies' portals, websites such as Trendlyne.com, Equitymaster.com are taken into consideration.

**E. Statistical Tools**

1. Liquidity Ratios
2. Leverage Ratios
3. Profitability Ratios
4. Key Financial Ratios

**F. Sample Selection**

Indian two-wheeler sector is largely dominated by Hero MotoCorp, Honda Motorcycles and Scooters, Bajaj auto and TVS MotoCorp. Out of top 4 companies, Hero MotoCorp and TVS Motor Co. are selected as a sample of study period of 2 years from FY 2021-22 to FY 2022-23 under Purposive Sampling Method. The purpose behind selecting these companies;

1. Both the manufacturers are Indian also they had a rich filled history.
2. Both companies are thinking in new directions.
3. Both companies have different ideologies.

**J.Limitations to the Study**

While doing the research work, the researcher met the following limitations:

1. The study is based on secondary data; the data were collected from the financial reports reported in annual reports of the selected automobile companies and the analyses were done on the basis of the data collected. Therefore, accuracy is based on the data provided in annual reports and other known portals.

2. The research is made in the short duration of time; so, it might not be in-depth.

**IV. Data Analysis and Interpretation**

**A. Liquidity Ratios**

Liquidity is required for a business to meet its short-term obligations. Liquidity ratios are a measure of the ability of a company to pay off its short-term liabilities.

*i. Current Ratio:* -The current ratio compares all of a company's current assets to its current liabilities.

Formula: - Current Assets / Current Liabilities

Current Ratio Table: -

Company	2022-23	2021-22	2020-21	2019-20	2018-19
TVS Motor Co.	0.61	0.65	0.75	0.72	0.78
Hero MotoCorp.	1.61	1.99	1.79	2.08	1.96

Interpretation: -

Above data table shows TVS Motor Co. is get weaken year by year in the current ratio. Falling from 0.78 in FY 2018-19 to 0.61 in FY 2022-23. Because company is constantly looking for expansion and growth that's why they investing it cash in PPE. In Hero MotoCorp case, In FY 2020 where company has most capacity to pay off their short-term debts. Then it was also start falling year by year.

*ii. Inventory Turnover Ratio:* -Inventory turnover is the rate that inventory stock is sold, or used, and replaced. The inventory turnover ratio is calculated

by dividing the cost of goods by average inventory for the same period.

Formula: - Cost of Goods Sold / Avg. Inventory

Inventory T/o table: -

Company	2022-23	2021-22	2020-21	2019-20	2018-19
TVS Motor Co.	16.67	13.67	11.42	15.81	15.49
Hero MotoCorp.	18.79	15.98	20.26	26.41	31.38

Interpretation: -

Above table shows that TVS Motor Co. made almost identical sales in the FY 2019 and FY 2020 but then in the next year it decreases by 28%. After it was started to show growing trend in the next financial years. In Hero MotoCorp the scenario is completely opposite from TVS Motor Co. It shows only down-going trend for 4 years in heavy percentage but in FY 2023, researcher think that it started slowly to go back on to the track.

**iii. Dividend Payout Ratio:** -The dividend payout ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company.

Formula: - Dividend Paid / Net Income

Dividend Payout Table: -

Company	2022-23	2021-22	2020-21	2019-20	2018-19
TVS Motor Co.	15.93	19.93	27.16	28.07	24.81
Hero MotoCorp.	68.65	76.75	64.02	53.32	56.05

Interpretation: - In above table Hero MotoCorp has mind-blowing numbers than TVS Motor Co. Hero MotoCorp distributed more than half percentage of net income to their shareholders as a dividend. TVS

Motor Co. is also good if you look at the industry standards but Hero MotoCorp is too good in this category. TVS Motor Co. DPR was decreasing year by year. Hero MotoCorp has constant trend in DPR.

**B. Leverage Ratios**

A leverage ratio is any one of several financial measurements that assesses the ability of a company to meet its financial obligations. A leverage ratio may also be used to measure a company's mix of operating expenses to get an idea of how changes in output will affect operating income.

**i. Debt-Assets Ratio:** -The term debt ratio refers to a financial ratio that measures the extent of a company's leverage.

Formula: - Total Debt/Total Assets

Debt-Assets Ratio Table: -

Company	2022-23	2021-22	2020-21	2019-20	2018-19
TVS Motor Co.	0.62	0.41	0.55	0.47	0.49
Hero MotoCorp.	0.015	0.016	0.016	0.011	0.017

Interpretation: -

Above data table shows, TVS Motors financed their assets almost of half percentage from their debt. It was constant through all the selected years. On the next move, Hero MotoCorp has only 0.1% assets which are financed on their debt. Hence, it is proved that Hero MotoCorp has assets which are owned by them not financed by debt.

**ii. Debt-to-equity Ratio:** -The debt-to-equity (D/E) ratio compares a company's total liabilities with its shareholder equity and can be used to assess the extent of its reliance on debt.

Formula: - Total Liabilities / Shareholder's Equity

Debt-to-Equity Ratio Table: -

Company	2022-23	2021-22	2020-21	2019-20	2018-19
TVS Motor Co.	0.37	0.33	0.27	0.55	0.41
Hero MotoCorp.	0.021	0.022	0.024	0.015	0.024

Interpretation: -

In above table depicts, TVS Motors has more debt over the own funds i.e. shareholders' equity value. First 2 years FY 2019 and FY 2020 show increasing trend then it falls drastically and it is positive sign for the company and to the equity shareholders as well. In the other case, Hero MotoCorp is just brilliant. They have just little % of debt over the company. It clearly shows that Hero MotoCorp is safe choice for the investors to invest in. It has low debt value.

### C. Profitability Ratios

Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet assets, or shareholders' equity over time, using data from a specific point in time.

**i. Return on Capital Employed:** -The term return on capital employed (ROCE) refers to a financial ratio that can be used to assess a company's profitability and capital efficiency.

Formula: - EBIT / Capital Employed

(EBIT stands for Earnings before interest and tax)

ROCE Table: -

Company	2022-23	2021-22	2020-21	2019-20	2018-19
TVS Motor Co.	26.85	20.55	17.24	18.29	24.06
Hero MotoCorp.	22.07	19.68	24.43	26.52	37.15

Interpretation: -

On the above table. ROCE of both companies is great. It means both the companies earning that much percentage of profit on their capital employed. Capital employed means how much capital a company put into the business either it be an own capital or a debt capital. Hero MotoCorp look much better in this comparison.

**ii. Return on Assets Ratio:** - The term return on assets (ROA) refers to a financial ratio that indicates how profitable a company is in relation to its total assets.

Formula: - EBIT / Avg. of Total Assets

ROA Table: -

Company	2022-23	2021-22	2020-21	2019-20	2018-19
TVS Motor Co.	10.65	7.54	6.00	6.33	8.00
Hero MotoCorp.	12.51	11.38	13.37	19.37	19.18

Interpretation: -

Above data depicts that both companies are inconsistent with the ROA's. TVS Motor Co. had 8.00 ROA in the FY 2019 after that it started to get lesser by each year. They have their best ROA in the last FY 2023 which is 10.65. The main reason behind decreasing ROA is Covid-19 because Assets remain same of both the companies but not that much revenue generated in those years. Also, TVS is expanding their business so to fulfil the goal they need to invest in their PPE for higher production levels.

**D. Other Key Financial Ratios**

**i. Earning per Share:** -Earnings per share (EPS) is a company's net income subtracted by preferred dividends and then divided by the average number of common shares outstanding.

Formula: -  $\frac{\text{Net Income} - \text{Preferred Equity}}{\text{Total Common Shares O/s}}$

EPS Table: -

Company	2022-23	2021-22	2020-21	2019-20	2018-19
TVS Motor Co.	31.38	18.81	12.88	12.47	14.11
Hero MotoCorp.	145.66	123.78	148.39	181.91	169.48

Interpretation: -

As EPS shows earnings per share available to the equity shareholders; higher EPS is a good sign for the shareholders. On the above data table, it shows the information of TVS Motor Co. and Hero MotoCorp. EPS. TVS Motors EPS is increasing year by year; in FY 2019, it was 14.11 and it

increased to 31.38 in FY 2023, had a positive growth of 222% in five years. Whereas, Hero MotoCorp numbers are unbelievable in terms EPS. Company had highest EPS in the FY 2020 then it started decreasing.

**ii. Price-to-earnings Ratio:** -The price-to-earnings (P/E) ratio measures a company's share price relative to its earnings per share (EPS). Often called the price or earnings multiple, the P/E ratio helps assess the relative value of a company's stock.

Formula: -  $\frac{\text{Market Price of a Share}}{\text{EPS}}$

P/E Ratio Table: -

Company	2022-23	2021-22	2020-21	2019-20	2018-19
TVS Motor Co.	38.5	40.6	37.7	64.3	32.3
Hero MotoCorp.	16.7	20.9	19.0	23.5	12.8

Interpretation: -

P/E Ratio of TVS Motor Company Ltd. with value of 65.17 shows that stock price is high compared to company earnings and may be overvalued. PE Ratio of TVSMOTOR has fallen by -1.94 % Compared to previous Financial Year. P/E Ratio of Hero MotoCorp Ltd. with value of 25.76 shows that stock price is high compared to company earnings and may be overvalued. PE Ratio of Hero MotoCorp has fallen by -15.62 % Compared to previous Financial Year.

**iii. Price-to-book Ratio:** -The price-to-book (P/B) ratio measures the market's valuation of a company relative to its book value. The price-to-book ratio is

used by value investors to identify potential investments.

Formula: -  $\frac{\text{Market Price of a Share}}{\text{Book Value of a Share}}$

P/B Ratio Table: -

Company	2022-23	2021-22	2020-21	2019-20	2018-19
TVS Motor Co.	9.30	6.76	7.26	4.38	7.06
Hero MotoCorp.	2.82	2.87	3.74	2.19	3.85

Interpretation: -

P/B Ratio of Hero MotoCorp Ltd. with value of 5.46 shows that company is trading much above Book value and may be risky. P/B Ratio of TVS Motor Company Ltd. with value of 17.82 shows that company is trading much above Book value and may be risky. P/B Ratio of TVS Motor rose handsomely by 37.58 % this year.

## V. CONCLUSIONS

In terms of revenue, TVS Motors scores over Hero MotoCorp. The gross sales of Hero MotoCorp are flattish, while that of TVS Motors has clocked a CAGR of 9.66%. As an investor you should prioritize what is important for you, so you should invest wisely. So, if an investor looking for high growth investment, then TVS Motor Co. is clear choice between two of them. Because, TVS Motors hands down beat Hero MotoCorp in terms of profitability. In terms of EBITDA and profit after tax (PAT), TVS Motors delivered double-digit growth in 5 years. On the other hand, an investor wants a financially stable and safe company then they should look Hero MotoCorp. The reason

behind is; in terms of financial efficiency, Hero MotoCorp overtakes TVS Motors. Hero MotoCorp is a net debt-free company, while TVS Motors carries higher debt. The debt of TVS Motors is around 3 times its equity.

## VI. Suggestions

For TVS Motor Co.: -

- Current ratio is less than the ideal ratio. The effective measure is to be taken to retain the inventories and other receivables accounts of the company
- They have good return from capital in their performance but for future growth they need to improve profit and sales turnover to increase their capital in healthy way.

For Hero MotoCorp: -

- The net cash balance, current liability coverage ratio, cash flow margin ratio, cash flow coverage ratio is fluctuating in the years covered under the period of study. suggested the company to improve the ratios by maintaining stability of cash flow and regulate cash flow evenly throughout and try to improve sales to achieve maximum profitability at a minimum cost.
- Company should focus on making premium looking motorcycles to attract young generation of this country.
- Company should more focus more on the EV market.



## **REFERENCES**

- [1]Dr. Khadalakar, A study on fundamental analysis of automobile companies in India (2020)
- [2] Dr. Shankar and Ashwin S., Financial Analysis of Hero MotoCorp. (2023)
- [3] Ms. Sembakalakshmi, A study on financial performance of TVS Motors Ltd. (2023)
- [4] Mr. Bhatol, Financial Statement analysis of Bajaj Auto and Hero MotoCorp. (2021)
- [5] Dr. S. Saguna, A study on financial performance analysis of Hero MotoCorp Ltd. (2020)
- [6] Dr. Sawant, Fundamental analysis of selected of automobile companies for DSIIPL (2019)
- [7] S. Sivakumar, A comparative study on performance analysis between TVS and Hero Honda Motor Co. (2005)