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A study on financial performance analysis of Ashok Leyland

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Abstract

Financial is regarded as the life blood of a business enterprise. In the modern oriented economy, finance is one of the basic foundations of all kinds of economics activities. Finance statements are prepared primary for decision-making. They play a dominant role in setting the frame work and managerial conclusion can be drawn from these statements. The project entitled "Financial performance analysis of Ashok Leyland company Ltd " throw light on overall financial performance of the company. For this analysis, the tools used are Trend Analysis and Comparative Balance sheet. Results indicate that the performance of Ashok Leyland in the study period has been excellent.

Keywords: Trend Analysis & Comparative Balance Sheet

Introduction

The Indian auto industry is one of the largest in the world. The industry accounts for 7 per cent of the country's Gross Domestic Product (GDP). As of financial year 2014-2015, around 31 per cent of small cars sold globally were manufactured in India. The two wheeler segment with 81 per cent market share is the leader of the Indian Automobile market owing to a growing middle class and a young population. India's second largest commercial vehicle marker Ashok Leyland has shown a declining trend in the total sales during August 2016 by 6 per cent due to lower growth in Medium and Heavy vehicle segment. The company sold ten thousand eight hundred and ninety-seven (10,897) vehicles in the month gone by, compared with 11,544 units sold in the same month last year. Medium and Heavy commercial vehicle sales during the month declined 8 per cent to 8201 units while light commercial vehicles sales grew by 2 per cent to 2696 units on yearly basis. The contribution of Ashok Leyland in the growth of the automobile industry is very high. Hence an attempt is made to analyse the financial statement of Ashok Leyland.

Statement of Problem

Analysis and interpretation of financial statement is a regular exercise to review the performance of the companies. These days the risk in every company is increasing day by day and the requirement of finance is more to run the business. Hence there is a need for every organisation to evaluate their performance each year in order to make a place in the market. Ratios have proven effective and a very powerful analytical tool useful for measuring performance of an organisation. Thus this study investigates the performance of Ashok Leyland.

Objectives of the Study

- To analyse the past performance of the company.
- To analyse the trend analysis of Ashok Leyland.

Research Methodology

Data used for the study

The study was mainly based on secondary data. The required data for the purpose of study were obtained from published annual reports and records of the company, journals, websites, etc.

Tools used for the Study

- Trend analysis
- Comparative balance sheet

Limitations

- The study done using ratios may not provide an accurate values and financial position of the company. Approximate values are taken in the study.
- As the financial statements are prepared on going concern basis, it does not give exact position.

Review of Literature

- R. Idhayajothi (2014) ^[1], "A Study on financial performance of Ashok Leyland Limited at Chennai". This study analyses the overall financial performance of the company based on secondary data for the period 2008-09 to 2012-13 by using Ratio analysis, Comparative statements and Trend analysis as tools. The study concluded that the company had to increase its sales as well its profit margin to meet out its capital expenditure and working capital commitments.
- Harshadeep Chilukuri (2016) ^[2], "Financial Statement Analysis of Ashok Leyland Limited, India". The study analysed the profitability, solvency, efficiency and cash position of the company for the period 2011-12 to 2015-16 based on secondary data using Ratio Analysis and Dupont analysis as the tools. The study suggested the company to reduce inventory, ensure prompt collection from customers, increase its sales and to improve the liquidity position.

Trend Analysis

Trend analysis is the presentation of amounts as a percentage of a base year. Trend analysis evaluates an

organisation's financial information over a period of time. Periods may be measured in months, quarters, or years, depending on the circumstances. The goal is to calculate and analyse the amount change and percent change from one period to the next.

Table 1

Year	Sales	Inventories	Sundry Debtors
2012	175	208	235
2013	175	177	271
2014	136	111	248
2015	185	131	240
2016	257	162	239

Source: Secondary data

Interpretation

The above table shows the trend analysis of sales, inventories and debtors. The sales have continuously increased in all the years up to 2015-2016. Increase in sales is an indicator that there is more demand for the product which also increases the market share of the company. Thus increase in sales is quite satisfactory. It has been observed that the table represents an increasing trend in inventory in the year 2015-2016 is 162 as compared to 100 in base year 2006-2007. The debtors show an increasing trend in the year 2013 and a decreasing trend in the remaining years.

Comparative Balance Sheet

A comparative balance sheet presents side by side information about an entity's assets, liabilities, and shareholder's equity as of multiple points in time. The intent is to provide the reader with a series of snapshots of a company's financial condition over time which is useful for developing trend analysis.

Table 2

Years Compared	% Increase or Decrease				
	Current Asset, Loans & Advances	Non-Current assets	Current liabilities & provision	Non-Current Liabilities	Share Holders Fund
2011 & 2012	8%	15.2%	28.8%	-0.20%	6.20%
2012 & 2013	-0.20%	15.6%	9.3%	16.8%	5.9%
2013 & 2014	-10.3%	1.7%	-13.4%	12.8%	-0.2%
2014 & 2015	21.7%	-3.7%	9.8%	-16.3%	15.1%
2015 & 2016	12.7%	-6.1%	3.5%	-15.7%	7.7%

Source: secondary data

Interpretation

The above table shows the comparative balance sheet for the period 2011-12. Current assets have been increased by 8%. Total assets have been increased by 12.5%. Current liabilities have been increased by 28.8%. The total shareholders fund have been increased by 6.2%. The comparative balance sheet for the period 2012-13. Current assets have been decreased by 0.2%. Total assets have been increased by 15.6%. Current liabilities have been increased by 9.3%. The total shareholders fund have been increased by 5.9%. The comparative balance sheet for the period 2013-2014. Current assets have been decreased by 10.3%. Total assets have been decreased by 2.2%. Current liabilities have been decreased by 12.8%. The total shareholders fund have been decreased by 0.2%. The comparative balance sheet for the period 2014-2015. Current assets have been increased by 21.7%. Total assets have been increased by 3.9%. Current liabilities & provision have been decreased

by 9.8%. The total shareholders fund have been increased by 15.1%. The comparative balance sheet for the period 2015-2016. Current assets have been increased by 12.7%. Total assets have been decreased by 0.6%. Current liabilities & provision have been increased by 3.5%. The total shareholders fund have been increased by 7.7%

Findings

- For the year ending 2011-2012, Current assets have been increased by 8%; the total assets have been increased by 12.5%. The current liabilities have been increased by 28.8%. The total shareholders fund have been increased by 6.2%.
- For the year ending 2012-2013, Current assets have been decreased by 0.2%; the total assets have been increased by 15.6%. The current liabilities have been increased by 9.3%. The total shareholders fund have been increased by 5.9%.

- For the year ending 2013-2014, Current assets have been decreased by 10.3%; the total assets have been decreased by 2.2%. The current liabilities have been decreased by 12.8%. The total shareholders fund have been decreased by 0.2%.
- For the year ending 2014-2015, Current assets have been increased by 21.7%; the total assets have been increased by 3.9%. The current liabilities have been decreased by 9.8%. The total shareholders fund have been increased by 15.1%.
- For the year ending 2015-2016, Current assets have been increased by 12.7%; the total assets have been decreased by 0.6%. The current liabilities have been increased by 3.5%. The total shareholders fund have been increased by 7.7%.
- Trend analysis of sales of the concern revealed an increasing trend whereas the debtors and inventories resulted in decreasing trend.

Suggestions

- The current assets should be increased the company should maintain its debt position.
- It should increase sales volume as well as gross profit, further it can improve if the company concentrates on its operating, Administrative and selling expenses and by reducing expenses.

Conclusion

The study is aimed to analyse the overall financial performance of "Ashok Leyland Limited" for the period 2012-2016. For any organization increasing the profitability will be the main objective and so is the same for this company. This study gives knowledge about the application of financial tools and its importance and usefulness in the real life. The tools comprised of Trend analysis and comparative balance sheet.

Reference

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