

A STUDY ON FINANCIAL PERFORMANCE OF EICHER MOTORS

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ABSTRACT

A global corporation based in India, Eicher Motors focuses on producing and selling personal utility cars, motorbikes, and commercial vehicles. The business has recently displayed outstanding financial success, with both high revenue growth and profitability. Eicher Motors recorded total revenue of INR 29,697 crore for the fiscal year 2020–2021, an increase of 5.5% over the prior year. In comparison to the prior year, the company's net profit for the same time increased significantly by 67.6% to INR 2,064 crore. In the fiscal year 2020–2021, the profits per share (EPS) increased by 68.3% to INR 163.1. Many elements, such as a broad product line, an effective supply chain, and an emphasis on innovation and customer happiness, may be credited for Eicher Motors' good financial success. With rising demand for its bikes in India and other nations, the company's flagship brand, Royal Enfield, has significantly contributed to its success. Moreover, Eicher Motors' financial standing is still solid, as seen by its low debt-to-equity ratio of 0.04 and high current ratio of 1.3. The firm has INR 7,899 crore in cash reserves at the conclusion of the fiscal year 2020–2021, demonstrating its capacity to pay its short-term debts. Eicher Motors' varied product line, effective supply chain, and emphasis on innovation and customer satisfaction have all contributed to the company's outstanding financial success in recent years. The company's major brand, Royal Enfield, has significantly aided in its expansion, and its financial situation is still solid, demonstrating its capacity to withstand market fluctuations.

KEYWORDS

Revenue growth	Debt-to-equity ratio
Profit margin	Earnings per share (EPS)
Inventory turnover	Price-to-earnings ratio (P/E ratio)
Return on assets (ROA)	Market capitalization
Return on equity (ROE)	Dividend yield.

INTRODUCTION

With its headquarters in Gurugram, India, Eicher Motors Ltd is an international automobile corporation with Indian roots. Commercial vehicles, motorbikes, and technical components are the company's main products and markets. The legendary Royal Enfield brand of motorbikes, which has a devoted following across the world, is what makes Eicher Motors famous. The business has a long history dating back more than 70 years and has

pioneered the Indian vehicle sector. Eicher Motors has grown its global footprint over time and become a market leader in the commercial vehicle industry. The firm is dedicated to offering its clients top-notch goods and services while putting an emphasis on ethical and sustainable business methods.

STATEMENT OF PROBLEM

- Rising demand for automobiles that use less fuel and are more ecologically friendly.
 - Meeting regulatory and safety requirements in various countries.
 - Handling the expense and complexity related to the connection and sophisticated technological elements in cars.
 - Addressing the change to mobility services and changing customer demands.
 - The creation and use of autonomous driving technologies.
 - Rising industry rivalry from new companies, especially from emerging markets.
 - Adjusting to the urbanization trend and the rising need for smaller, more fuel-efficient cars.
 - Addressing the escalating cyber security issue in connected cars.
 - Developing and acquiring sustainable and moral raw resources for the manufacture of vehicles.
 - Addressing the industry's talent and skill gap, especially in the areas of engineering and software development.
- ### REVIEW OF LITERATURE

Eicher Motors Literature Review, by R. P. Gupta and P. R. Pingle (2019)

An overview of Eicher Motors and its trajectory of growth in the Indian car industry is given in this literature study. Several topics are covered, including the product portfolio, market share, financial results, and strategic objectives.

S. Bajaj and R. Prasad's "Strategic study of Eicher Motors" (2019)

This analysis of the literature examines Eicher Motors' strategic strategy and competitive advantage in the Indian car industry. It talks about the company's product distinction, market positioning, and growth strategies.

M. K. Sharma and K. Jain's "Innovation strategy of Eicher Motors: a literature analysis" (2020)

This analysis of the literature examines Eicher Motors' innovation strategy and how it affects the expansion and competitiveness of the business.

A review of the literature titled "Brand equity of Royal Enfield" by S. K. S. Saini and A. Bhatnagar (2020)

This literature review examines the brand equity of Royal Enfield, the flagship brand of Eicher Motors. It covers a variety of topics, including consumer perception, brand identity, brand personality, and brand loyalty.

Bhardwaj and N. Gupta's "Financial study of Eicher Motors: a literature survey" (2021)

This literature analysis examines Eicher Motors' core financial statistics and financial performance. It covers a range of topics, including efficiency, profitability, liquidity, and solvency.

S. Sharma and R. Kumar's "Supply Chain Management at Eicher Motors: a Literature Review" (2021)

This analysis of the literature looks at Eicher Motors' supply chain management strategies and how they affect customer satisfaction and operational effectiveness. It encompasses numerous areas such as inventory management, vendor management, and logistics.

R. Kumar and S. Sharma's "Corporate Social Responsibility at Eicher Motors: a Literature Review" (2021)

The corporate social responsibility programmes of Eicher Motors are examined in this study of the literature along with how they affect stakeholder participation and the company's reputation. It addresses a variety of topics, including employee welfare, community development, and environmental sustainability.

N. Singh and S. Singh's "Eicher Motors and the Indian Motorcycle Industry: a Literature Review" (2021)

An overview is provided by this literature review of the state of the Indian motorcycle market and Eicher Motors' place within it. It covers a wide range of topics, including consumer behaviour, market trends, and competition.

S. Sharma and R. Singh's "Marketing Strategies of Royal Enfield: A Literature Review" (2021)

The marketing tactics used by Royal Enfield and their effects on the company's reputation as a brand and customer acquisition are examined in this review of the relevant literature. It covers a number of topics, including distribution, promotion, and advertising.

Kumar and S. Garg's "Eicher Motors and electric mobility: a literature study" (2021)

This analysis of the literature looks at Eicher Motors' strategy for electric mobility and its prospective effects on the Indian car industry. It covers a range of topics, including product development, technological alliances, and regulatory frameworks.

OBJECTIVES OF STUDY

- Study market dynamics and trends in the automotive sector in order to spot development possibilities and obstacles
- To evaluate the prospective effects of emerging technologies, such as autonomous and electric automobiles, on the automotive industry
- To study the motor industry's supply chain and manufacturing methods in order to spot chances for improvement and cost cutting

- To research customer preferences and behaviour in the automotive sector and comprehend how it affects product development, marketing, and sales tactics.
- To evaluate the automotive industry's effects on the environment and society and to develop plans for ethical and sustainable business conduct
- To investigate the possibility of novel business in the automotive sector, there are trends like shared mobility and transportation as a service.

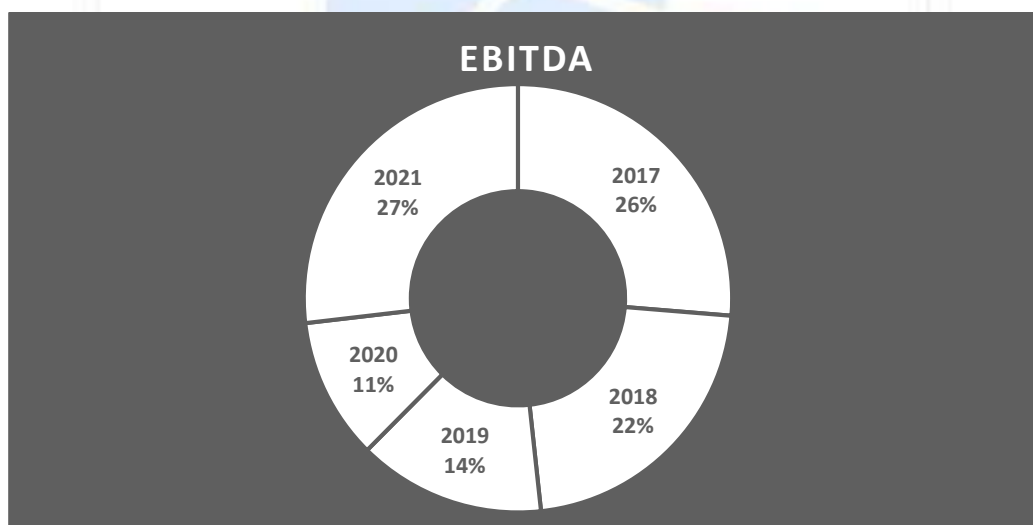
RESEARCH METHODOLOGY

FINANCIAL RATIOS:

➤ EBITDA/TURNOVER

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) as a proportion of a company's overall sales, or turnover, is calculated using the financial ratio EBITDA/Turnover. This ratio shows how well the business can turn a profit from its sales into operational profits.

$$\text{EBITDA/Turnover} = (\text{EBITDA} / \text{Total Revenue}) \times 100$$



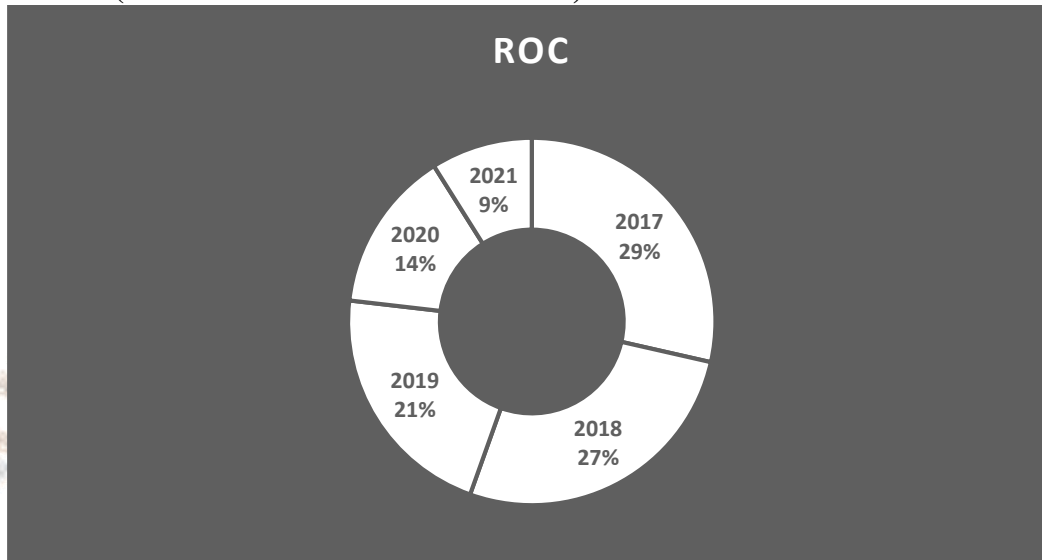
YEAR	EBITDA
2017	26%
2018	22%
2019	14%
2020	11%
2021	27%

➤ **ROCE**

The financial ratio known as ROCE, or return on capital employed, gauges a company's profitability in relation to the capital it has invested in its operations. Investors, analysts, and management frequently utilize the ROCE statistic to assess a company's effectiveness in earning returns on its capital expenditures.

$$\text{ROCE} = (\text{Net Income} + \text{Interest Expense} * (1 - \text{Tax Rate})) / (\text{Total Assets} - \text{Current Liabilities})$$

$$\text{ROCE} = \text{EBIT} / (\text{Total Assets} - \text{Current Liabilities})$$

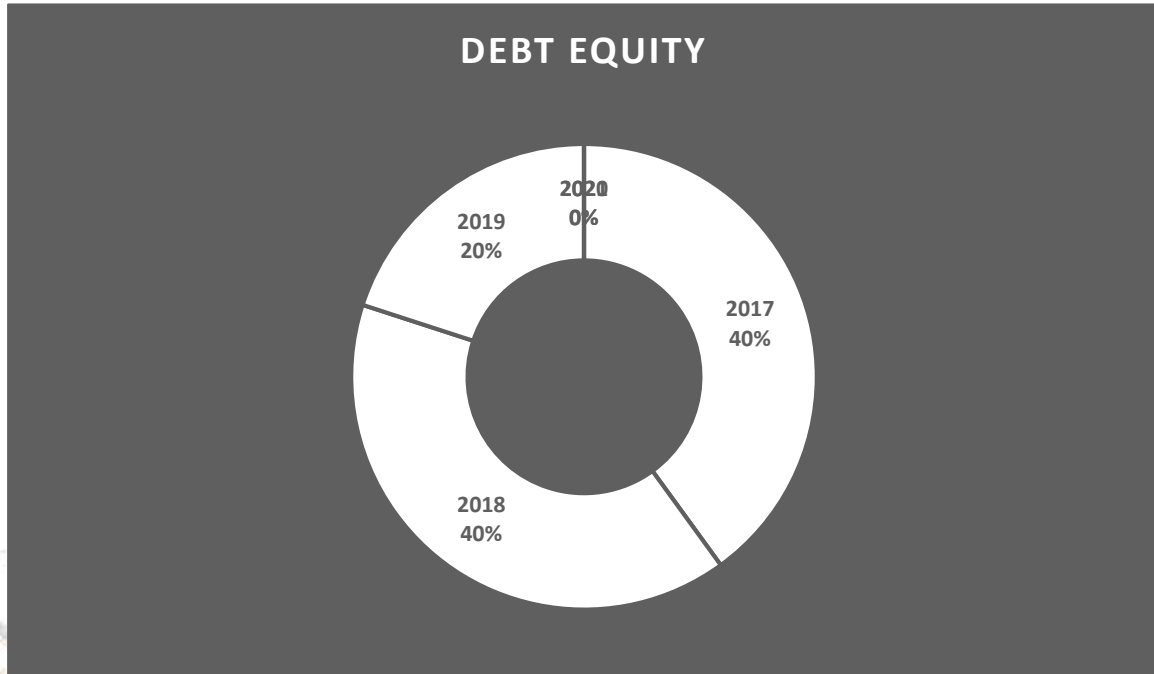


YEAR	ROC PERCENTAGE
2017	29%
2018	27%
2019	21%
2020	14%
2021	9%

➤ **D/E**

The debt-to-equity ratio, often known as D/E, is a financial metric that quantifies how much debt a business has in comparison to its equity. It is a widely used indicator to evaluate a company's leverage, or how much of its activities are financed by borrowed money.

D/E = Total Debt / Total Equity

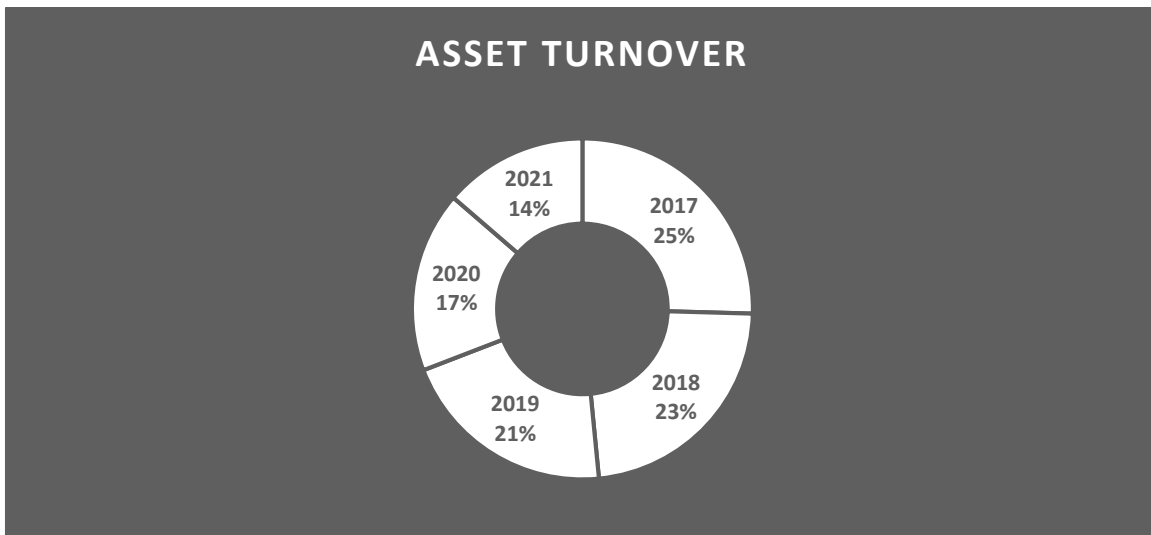


YEAR	Debit Equity
2017	40%
2018	40%
2019	20%
2020	0%
2021	0%

➤ **ASSET TURNOVER**

Asset turnover is a financial statistic that gauges how well a firm uses its assets to generate sales. Investors, analysts, and management assess a company's operational performance using this indicator.

Asset Turnover = Total Revenue / Average Total Assets

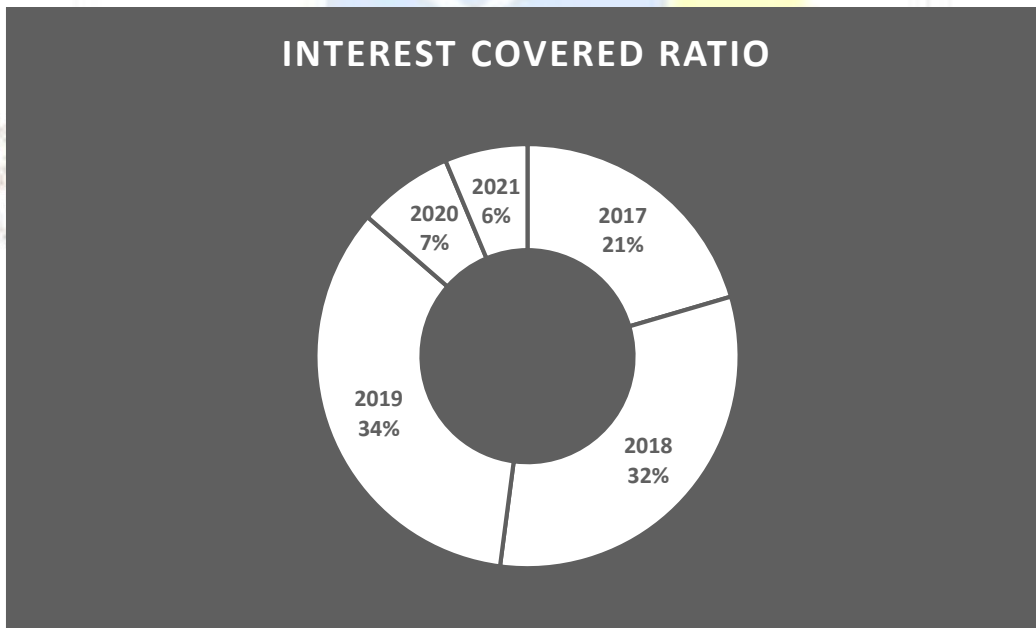


YEAR	ASSET PERCENTAGE
2017	25%
2018	23%
2019	21%
2020	17%
2021	14%

➤ **INTEREST COVER OVER**

An organization's capacity to pay interest on its existing debt is gauged by the interest coverage ratio, a financial ratio. Investors and analysts use this ratio to determine a company's ability to pay interest payments and to evaluate the company's financial health.

Interest Coverage Ratio = Earnings Before Interest and Taxes (EBIT) / Interest Expenses.



YEAR	INTEREST COVER RATIO
2017	21%
2018	32%
2019	34%
2020	7%
2021	6%

➤ **OPERATING PROFIT MARGIN**

An organization's profitability is gauged by its operating profit margin, which shows how much of its income remains after all operational costs have been paid. It is a crucial indicator that management, analysts, and investors use to assess a company's operational effectiveness. **Operating Profit Margin = Earnings Before Interest and Taxes (EBIT) / Total Revenue**

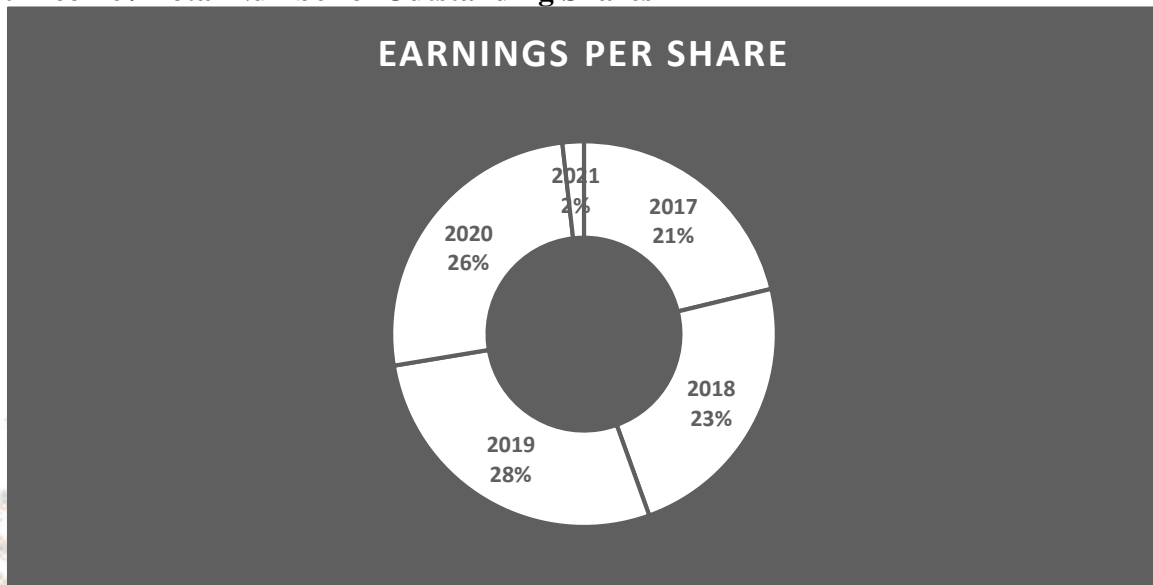


YEAR	OPERATING PROFIT MARGIN
2017	22%
2018	23%
2019	22%
2020	18%
2021	15%

➤ **EARNING PER SHARE**

The financial term known as earnings per share (EPS) calculates how much money a firm makes for each share of its common stock that is still in circulation. It is computed by dividing the total number of outstanding shares of a company's common stock by the net income of the business.

EPS = Net Income / Total Number of Outstanding Shares

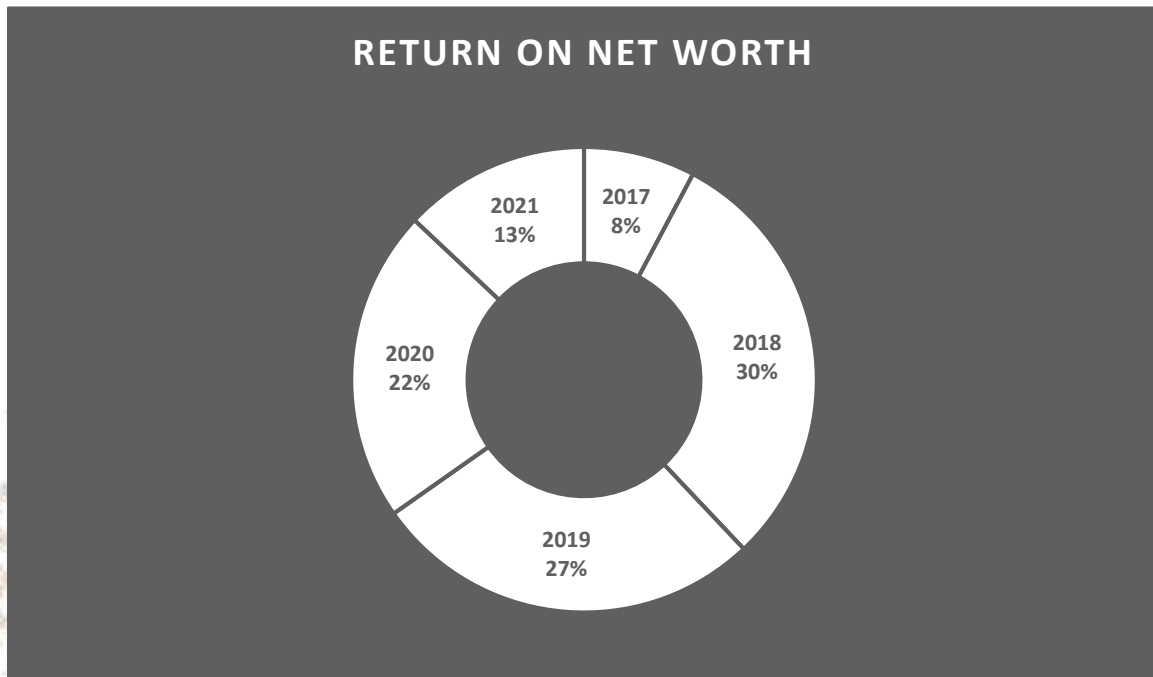


YEAR	EARNING PER SHARE
2017	21%
2018	23%
2019	28%
2020	26%
2021	2%

➤ **RETURN ON NET WORTH**

Return on Net Worth (RoNW) denotes the profit earning capacity of the company on the shareholder's invested amount. RoNW is a profitability indicator of a company expressed in percentage. It is calculated by dividing the Net Income of the company by the shareholders equity.

ROW = Net Income / Share Holders Equity



YEAR	RONW
2017	8%
2018	30%
2019	27%
2020	22%
2021	13%

RESULTS AND DISCUSSION

Financial Results: Eicher Motors has recently had good financial results. The business recorded consolidated sales of INR 9,154 crore for the fiscal year 2020–21, an increase of 1% from the prior year. Due to the COVID-19 pandemic's effects, their net profit for the year was INR 1,541 crore, down 40% from the prior year. But, since the second part of the fiscal year, the firm has been performing well.

Sales of Royal Enfield vehicles: Royal Enfield is Eicher Motors' most significant brand, and its sales have been gradually increasing over time. Due to lockdowns brought on by the epidemic, Royal Enfield sold 13% fewer bikes in the fiscal year 2020–21 (651,107 vs. 651,107). Yet, when the company's sales began to But, since the second half of the fiscal year, the company's sales have begun to increase, and it anticipates that there will be a high level of demand in the upcoming years.

Global Expansion: Eicher Motors has been extending its reach internationally, particularly in South-East Asia and Europe. To improve its distribution and marketing capacities, the corporation has established new partnerships and subsidiaries in these areas. These areas are

well-suited to the Royal Enfield brand, and the business anticipates significant development in the years to come.

Electric Vehicles: Eicher Motors has been making investments in electric vehicle technology and has introduced the Royal Enfield Photon, its first electric motorcycle, in India. In the upcoming years, the firm intends to increase the selection of electric vehicles it offers and expects to see strong demand for these products.

FINDINGS

- **Good financial performance:** Notwithstanding the impact of the COVID-19 epidemic, Eicher Motors has been functioning well financially in recent years. In the fiscal year 2020–21, the firm recorded consolidated sales of INR 9,154 crore and net profit of INR 1,541 crore.
- **A crucial brand is Royal Enfield.** Royal Enfield is the most significant brand for Eicher Motors, and its sales have been expanding steadily over the years. The business sold 651,107 bikes for the fiscal year 2020–2021 and anticipates continued robust demand.
- **Expansion outside:** Eicher Motors is increasing its market share abroad, particularly in South-East Asia and Europe. To improve its distribution and marketing capacities, the corporation has established new partnerships and subsidiaries in these areas.
- **Focusing on electric vehicles,** Eicher Motors has introduced the Royal Enfield Photon, its first electric motorbike, in India. Eicher Motors is investing in electric vehicle technologies. In the upcoming years, the firm intends to increase the selection of electric cars it offers
- **High growth potential:** Eicher Motors is well-positioned to take advantage of fresh growth prospects, both in India and in foreign markets, thanks to the strength of its Royal Enfield brand. The business should continue to flourish in the years to come because to its emphasis on electric cars and the expansion of its distribution capabilities.

CONCLUSION

With a concentration on the motorbike market through its Royal Enfield brand, Eicher Motors has become a major participant in the Indian automotive sector. Throughout the years, the business has shown great financial performance and has been growing its market share abroad, notably in South-East Asia and Europe. With the introduction of its first electric motorbike and ambitions to increase its selection of electric cars, Eicher Motors has also shown a commitment to investing in electric vehicle technology. Eicher Motors is well-positioned to take advantage of the potential of the Indian automotive sector and keep growing its worldwide footprint thanks to a strong brand and a focus on expansion prospects. It is a promising company because of its dedication to innovation and sustainability in its operations and products EICHER promising player in motor sector.

SUGGESTION

- Concentrate on important financial indicators: To monitor the company's financial performance over time, Eicher Motors should pay attention to important financial indicators including sales growth, profitability, and return on investment. The business may see patterns and decide on its next investments and tactics by examining these indicators.
- Regularly do ratio analyses: These analyses can give you important information about the company's financial health. For the purpose of monitoring crucial ratios like the liquidity, solvency, and efficiency ratios, Eicher Motors should regularly perform ratio analysis. The organisation may use this information to pinpoint areas for improvement and implement remedial measures.
- Comparing financial performance to rivals will help Eicher Motors determine how strong it is compared to other companies in the industry.

BIOBLIOGRAPHY

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