

**V M V V SANGHA'S**



**V M K S R VASTRAD ARTS SCIENCE  
AND V S BELLIHAI COMMERCIAL COLLEGE  
HUNGUND**

**Project report entitled**

**"A PROJECT REPORT ON EICHER MOTORS  
LIMITED"**

**UNDER GRADUATION OF BACHELOR OF COMMERCE**

**Submitted by**

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**B.Com-II Semester**

**Register Number U15IY22C0020**

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**2022-23**

# CERTIFICATE

This is to certify that **Mr. RAMESH DASAR** is a bonafide student of the Department of Commerce, bearing REG NO : U15IY22C0020 during the academic year 2022-23 has satisfactorily completed the project work entitled "**A PROJECT REPORT ON EICHER MOTORS LIMITED**" submitted in partial fulfillment of the requirements for the award of the Degree of Commerce by RANI CHANNAMMA UNIVERSITY under guidance and supervision by **Mr. SHREESHAIL BOMMASAGAR** And Prof. B A KANTHI Head of the Department in Commerce.



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This is to certify that the project work on "**A PROJECT REPORT ON EICHER MOTORS LIMITED**" has been carried out by **Mr. RAMESH DASAR** B. Com II semester under the guidance of **Mr. SHREESHAIL BOMMASAGAR** Co-ordinator, **Prof. B A KANTHI** Head of the Department in Commerce. towards the partial fulfilment of the requirements for the award of degree of department of Commerce by the **Rani Channamma University** during the year **2022-23**.

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Place :HUNGUND

  
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**Date :**  
**Place : HUNGUND**

*R. P. Dasar*  
**Mr. Ramesh DASAR**



## TABLE OF CONTENT

INDEX		
SR NO.	PARTICULAR	PAGE NO.
<i>I</i>	<i>Preface</i>	<i>I</i>
<i>II</i>	<i>Acknowledgement</i>	<i>II</i>
<i>III</i>	<i>Executive summery</i>	<i>III</i>
<b>Chapter 1 : Introduction About The Company</b>		1
1.1	Company Overview	2
1.2	History	3
1.3	Group Structure	4
1.4	Milestone	5
1.5	Company Profile	7
1.6	Basic Details of the Company	8
<b>Chapter 2 : Common Size Statements</b>		11
2.1	Meaning of Common size statements	12
2.2	Common Size Statement Of Balance Sheet	13
2.3	Common Size Statement Of Profit And Loss A/C	15
<b>Chapter 3 : Trend Analysis</b>		17
3.1	Meaning of Trend Analysis	18
3.2	Trend Analysis Of Balance Sheet	19
3.3	Trend Analysis Of Profit And Loss A/C	29
<b>Chapter 4 : Ratio Analysis</b>		36
4.1	Meaning of Ratio Analysis	37
<b>Chapter 4 : Recommendation and Suggestion</b>		50
<b>Chapter 5 : Conclusion</b>		52
<b>Bibliography</b>		54
<b>Annexure</b>		55
<b>List of Tables and Graphs</b>		57

# **Chapter-1**

# **Introduction About The Company**



## 1. INTRODUCTION TO THE COMPANY

### 1.1 COMPANY OVERVIEW

Eicher Motors Limited is an India-based company engaged in the business of automobile products and related components. The Company's product range includes commercial vehicles (Eicher and Volvo trucks), motorcycles, and components, including gears and engineering solutions. The Company operates in the leisure cruiser segment with engine capacity of 350 circuit current and above. During the year ended December 31, 2009, the Company sold 51,955 motorcycles. In 2009, the Company introduced Classic bike in the two categories of 350cc and 500cc. The Classic bikes are powered by a single cylinder 500 cc unit construction engine (UCE) supported by electronic fuel injection (EFI). The UCE has an integrated assembly for the engine, gear box and clutch to reduce friction.

Eicher Motors' subsidiaries include VE Commercial Vehicles Limited, Eicher Engineering Solutions, Inc., Hoff Automotive Design Company and Hoff Technology Service Company.

Eicher Motors operates in three segments: Commercial Vehicles, Two Wheelers, and Components of engineering products, as well as in the publication of city map and travel guides. Its commercial vehicle plant is located at Dhar, MP. The company manufactures motorcycles at a plant at Thiruvottiyur, TN, promoted under the brand Royal Enfield. The company's engineering component plants - located at Gurgaon, Haryana and Dewas, MP - manufacture gears, gear boxes, and other components. The company is also involved in management consultancy services and customized. It has a joint venture agreement with Volvo AB. The company has a strong network of 142 dealers distributed across India. Eicher Motors is present in over 40 countries across the world. Most of the exports are to South Asia, West Asia, and African countries.

### **EICHER MOTORS LIMITED**

Eicher Motors Limited (EML) was incorporated in 1982 and introduced its first product, the Canter, a 6 ton GVW truck manufactured at its state of the art plant at Pithampur, Indore in collaboration with Mitsubishi Motors Corporation, Japan, in 1986. The maiden offering soon created a strong customer base for itself.

From a single 6 Ton GVW truck in 1986, our range today extends from 5T to 16T GVW trucks and the Skyline and Voila range of Buses. All our products can be offered in BS II compatible options. We also have arguably the best CNG technology in the world in our CNG Buses.

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Pioneering the concept of Built Up vehicles in the country, we make products that consistently deliver high value to our customers and are increasingly becoming the preferred option for all CV users, not only in India but overseas too. Eicher CVs today have significant presence in more than 20 countries across the world.

In India, Eicher Motors has consistently outperformed the industry in terms of growth and currently holds over 30% market share in the 6T-11T GVW segments. In the 9T GVW segment, Eicher Motors continues to be the leader with more than 50% market share. Our well-equipped workshops result in faster turnaround of service. A network of more than 4500 Eicher trained private mechanics, over 133 authorized sales and service centres, and easy availability of genuine parts across more than 300 authorized spares outlets means less downtime and increased opportunities for our customers to earn.

Eicher Motors is now poised to further consolidate its position in the CV industry by entering into the Medium & Heavy Commercial Vehicle segments. Strategic plans are in place to ensure necessary investments in technology and training to constantly sharpen our development and manufacturing edge. EML is totally committed to fulfilling the vision of being one of the top 3 CV manufacturers in the country by giving customers what they want: vehicles that are safe, fuel efficient, easy to maintain, enhance driver comfort and in turn productivity. Vehicles that deliver value by providing low cost of ownership and increased profitability to our customers.

Eicher has over 5000 employees located in 10 manufacturing facilities and 24 marketing offices all around the country. The Group has around 950 vendors supplying components and sub-assemblies which testify to the strength of the vendor base. The Group's products are brought to the customer through its network of around 800 dealers distributed across the length and breadth of the country.

### 1.2 HISTORY

Eicher Motors is a commercial vehicle manufacturer in India. The company's origins date back to 1948, when Goodearth Company was established for the distribution and service of imported tractors. In 1959 the Eicher Tractor Corporation of India Private Ltd was established, jointly with the Eicher tractor company, a German tractor manufacturer. Since 1965 Eicher in India has been completely owned by Indian shareholders. The German Eicher tractor was partly owned by Massey-Ferguson from 1970, when they bought 30%. Massey-Ferguson bought out the German company in 1973.

In 2005 Eicher Motors Ltd sold their tractors and engines business to TAFE Tractors (Tractors And Farm Equipment Ltd) of Chennai, the Indian licensee of Massey Ferguson tractors.



In October 1982 a collaboration agreement with Mitsubishi for the manufacture of Light Commercial Vehicles was signed in Tokyo and in the same period the incorporation of Eicher Motors Limited also took place. In February 1990, Eicher Goodearth bought 26% stake in Enfield India Ltd and by 1993 Eicher acquired a majority stake (60% equity shareholding) in Royal Enfield India.

In July 2008, EML and Volvo Group's 50:50 joint venture VE Commercial Vehicles (VECV) designs, manufactures and markets commercial vehicles, engineering components and provides engineering design.

The Eicher Group has diversified business interests in manufacturing & marketing of Tractors, Commercial Vehicles, Automotive Gears, Motorcycles, and exports of vehicles, aggregates and components. Eicher has also invested in the potential growth areas of Management Consultancy Services. The activities of the Group are divided into the following business units covering all the business interests.

### **1.3 GROUP STRUCTURE**

The Eicher Group has diversified business interests in design and development, manufacturing, and local and international marketing of trucks, buses, motorcycles, automotive gears, and components. Eicher has invested in the potential growth areas of management consultancy services, customized engineering, and maps and travel guides.

VE Commercial Vehicles (VECV) Limited is a 50:50 joint venture between the Volvo Group (Volvo) and Eicher Motors Limited (EML). VECV is divided into five business units.

- Eicher Trucks and Buses - The E Series
- Volvo Trucks India - The VE Series
- Eicher Engineering Components
- VE Powertrain
- Eicher Goodearth
- Eicher Publications

Royal Enfield Motors, the motorcycle manufacturing subsidiary, is a part of the Eicher Motors.

## 1.4 MILESTONES

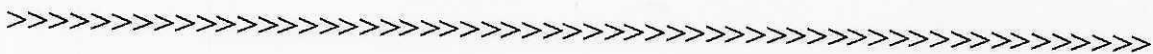
A journey, spanning over five decades, Eicher has come a long way. These rewarding times saw the company grow, diversify, acquire, amalgamate, consolidate and expand; winning hearts and trust of clients, dealers/distributors and shareholders alike.

The path pursued has been illuminated with landmarks and milestones, which stand as an edifice saluting our achievements. These milestones can be divided into 2 phases.



### INITIAL PHASE

- 1948 > Goodearth Company set up to sell and service imported tractors
- 1952-57 > Goodearth Company imported and sold about 1500 tractors in India
- 1958 > Eicher Tractor Corporation of India Ltd. incorporated
- 1959 > First indigenous Eicher tractor built
- 1959 > Eicher came out with India's first indigenously built tractor from its Faridabad factory
- 1960 > Eicher changed name from Eicher Tractor Corporation of India Pvt. Ltd. to Eicher Tractors India Ltd.
- 1965-75 > 100% indigenization achieved in Eicher Tractors



### MID JOURNEY

- 1980 > Eicher Goodearth Ltd. name given to Eicher
- 1982 > Collaboration agreement with Mitsubishi for the manufacture of Light Commercial Vehicles signed in Tokyo
- 1982 > Incorporation of Eicher Motors Ltd.
- 1985 > Silver Jubilee Year for Eicher
- 1986 > Eicher Motors Ltd. springs into operation
- 1987 > Eicher Tractors went public





**MORE RECENT**

- 1990 > Eicher Goodearth buys 26% equity stake in Enfield India Ltd.
- 1991 > ECS launched; Eicher takes over Ramon & Demm
- 1992 > Eicher Tractors Ltd. selected as 'Company of the Year' for 1990-91 in the four-wheeler category comprising commercial vehicles, passenger cars, jeeps and tractors
- 1993 > Eicher adopts new identifier
- 1993 > Eicher acquires majority stake in Enfield India (60% equity shareholding)
- 1994 > Enfield India Ltd. changed its name to Royal Enfield Motors Ltd.
- 1995 > Eicher City Map - Delhi launched
- 1996 > Eicher Tractors Ltd. amalgamated with Royal Enfield Motors to form Eicher Ltd.
- 2005 > Eicher Motors Ltd. has disinvested the businesses of tractors and engines to TAFE Motors & Tractors Ltd. (TMTL)
- 2008 > Volvo Group and Eicher Motors Ltd. established VE Commercial Vehicles Limited (VECV)
- 2010 > The company launched the VE-series of Heavy Duty trucks
- 2012 > Royal Enfield launches the Thunderbird 500 and 350 models.
- 2013 > Royal Enfield opens second manufacturing facility in Oragadam, Tamil Nadu. In September 2013, Royal Enfield globally launches the Continental GT 535cc café racer in London, UK.
- 2014 > Royal Enfield opens its first concept store in Saket, New Delhi and launches its first exclusive store in London, UK.

1.5 COMPANY PRODUCT PROFILE



**Trucks & Buses**

"Tough, & built to stay that way"



**Tractors**

"Great value, Tough performer"



**Gears**

"We mesh well"



**Diesel Engines**

"Reliable, cost effective, long life."

**Food Products**

"It's Goodearth....."



**Motorcycles**

"A legend untouched by time"

**Motors**

It manufactures several kinds of commercial vehicles. Its 50-50 joint venture with the Volvo group, VE Commercial Vehicles Limited, designs, manufactures and markets reliable, fuel-efficient commercial vehicles of high quality and modern technology, engineering components and provides engineering design solutions. It has technical and financial collaboration with Mitsubishi Motors Corporation of Japan which led to manufacturing of CANTER range of vehicles. It manufactures around 20000 vehicles per annum.

**Motorcycles**

It manufactures bullet motorcycles Royal Enfield. It manufactures six different models ranging from 300cc to 600cc. The manufacturing plant has installed capacity of 39,000 motorcycles per annum.

**Engineering Components**

The company manufactures complete range of automotive gears. The range of gears includes Spiral bevels (Crown wheel and pinions), Straight bevels and Transmission gears.

1.6 BASIC DETAILS OF THE COMPANY

BOARD OF DIRECTORS



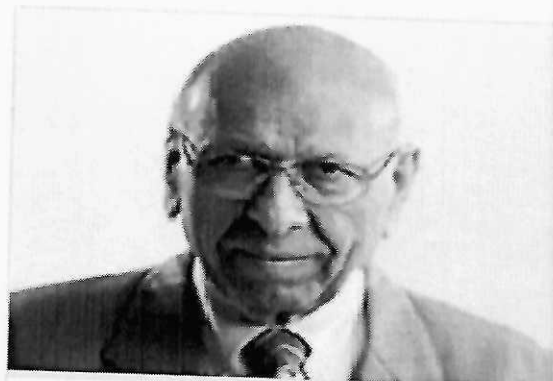
**SIDDHARTHA LAL**  
Managing Director & Chief Executive Officer, EML  
Eicher Motors Ltd



**S. SANDILYA**  
Chairman, EML



**M. J. SUBBIAH**  
Independent Director, EML



**PRIYA BRAT**  
Independent Director, EML



**MANVI SINHA**  
Independent Director, EML



**PRATEEK JALAN**  
Independent Director, EML

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❖ **Company Secretary & Compliance Officer**

Manhar Kapoor

❖ **Auditors**

Deloitte Haskins & Sells,  
Chartered Accountants

❖ **Bankers**

HDFC Bank Limited  
ICICI Bank Limited

❖ **Registered Office**

3rd Floor- Select Citywalk  
A-3 District Centre,  
Saket New Delhi – 110 017  
Tel No.: (011) 29563722  
Website: [www.eicher.in](http://www.eicher.in)

❖ **Corporate Office**

#96, Sector 32,  
Gurgaon – 122 001, Haryana  
Tel No.: (0124) 4415600  
Website: [www.eicher.in](http://www.eicher.in)

❖ **Plant Locations**

- Thiruvottiyur High Road,  
Thiruvottiyur,  
Chennai – 600 019  
Tamil Nadu.
- A-19/1, SIPCOT Industrial Growth Centre,  
Oragadam, Kanchipuram – 602 105  
Tamil Nadu.



# **Chapter-2**

# **Common Size Statements**

## 2.1 COMMON SIZE STATEMENTS

Common size financial statement helps to compare the performance of a company with other companies in the industry, regardless of asset size or sales volume. Evaluating common size statement of a company over a period of years can be useful in trend analysis.

Common size statement is very useful ways to analyse financial statement. It consists of balance sheet and income statement in which items are expressed in percentage rather than absolute value.

To create a common size statement, income statement total income taken has 100%. Each line item of the income statement is compared as a percentage of total income. To prepare a common size balance sheet total assets are taken equal to 100%. Each line item of balance sheet is compared as a percentage of total assets.

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2.2 COMMON SIZE STATEMENT OF BALANCE SHEET

Table 2.2.1: COMMON SIZE STATEMENT OF BALANCE SHEET

COMMON SIZE STATEMENT OF BALANCE SHEET					
Particular	in Rs. Cr.				
	Mar'16	Dec'14	Dec'13	Dec'12	Dec'11
	15 months	12 months	12 months	12 months	12 months
<b>Sources Of Funds</b>					
Total Share Capital	1%	2%	3%	4%	5%
Reserves	98%	98%	96%	93%	93%
<b>Net worth-A</b>	99%	100%	100%	97%	97%
Secured Loans	0%	0%	0%	3%	1%
Unsecured Loans	1%	0%	0%	0%	1%
<b>Total Debt-B</b>	1%	0%	0%	3%	3%
<b>Total Liabilities (A+B)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Application Of Funds</b>					
Gross Block	52%	51%	49%	34%	35%
Less: Accum. Depreciation	11%	10%	13%	13%	15%
<b>Net Block (A)</b>	40%	41%	36%	21%	20%
<b>Capital Work in Progress (B)</b>	4%	5%	2%	9%	1%
<b>Investments (C)</b>	87%	96%	104%	100%	93%
Inventories	14%	17%	17%	12%	8%
Sundry Debtors	2%	1%	1%	1%	1%
Cash and Bank Balance	2%	3%	2%	1%	1%
Total Current Assets	18%	21%	21%	13%	9%
Loans and Advances	9%	18%	17%	14%	17%
Total CA, Loans & Advances	27%	39%	38%	27%	27%
Current Liabilities	55%	66%	67%	47%	31%
Provisions	3%	15%	13%	11%	10%
Total CL & Provisions	57%	81%	80%	58%	41%
<b>Net Current Assets (D)</b>	-31%	-42%	-42%	-31%	-14%
<b>Total Assets(A+B+C-D)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**INTERPRETATION:**

⇒ SOURCES OF FUNDS:

- ✓ For the analysis source of funds, we have taken the **total liabilities** as **100%**.
- ✓ The share capital of the company is consisting of only **1.00%** in current year.
- ✓ As we can see in the table that the **shareholder's funds** and **Reserves** constitutes a large portion of the fund's.
- ✓ According to common size statement the reserves of the company hold large portion that means If the Company having a more reserve & surplus its means Company having lots of cash it's helpful for the contingencies times.
- ✓ Secured and unsecured loan's has minor fluctuation in five year.
- ✓ The companies secured loan's decreasing every year and now company has no secured loans but company has 1% unsecured loan's against reserve is 98% that means company already having more amount of reserve & surplus then also takes the loans for taking the advantages of equity.

⇒ APPLICATION OF FUNDS:

- ✓ For the analysis of application of funds, we have taken **total assets** as **100%**.
- ✓ The net block of the company only 1% decrease in current year as compared to last year.
- ✓ The fluctuation in investment is vary from year to year, current investment is lowest point as compared to last five years.
- ✓ The current assets and current liabilities both decreases from last year.



## 2.3 COMMON SIZE STATEMENT OF PROFIT AND LOSS A/C

Table 2.3.1: COMMON SIZE STATEMENT OF PROFIT AND LOSS A/C

COMMON SIZE STATEMENT FOR PROFIT AD LOSS ACCOUNT					
Particular	in Rs. Cr.				
	Mar'16	Dec'14	Dec'13	Dec'12	Dec'11
	15 months	12 months	12 months	12 months	12 months
<b>Income</b>					
Sales Turnover	113%	110%	113%	112%	111%
Excise Duty	13%	10%	13%	12%	11%
<b>Net Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Other Income	3%	4%	5%	4%	11%
Stock Adjustments	1%	1%	2%	2%	2%
<b>Total Income</b>	<b>104%</b>	<b>105%</b>	<b>107%</b>	<b>106%</b>	<b>114%</b>
<b>Expenditure</b>					
Raw Materials	58%	63%	66%	69%	71%
Power & fuel cost	1%	1%	1%	1%	1%
Employee cost	5%	5%	7%	8%	8%
Miscellaneous Expenses	9%	8%	9%	11%	11%
<b>Total Expenses</b>	<b>73%</b>	<b>77%</b>	<b>83%</b>	<b>88%</b>	<b>90%</b>
Operating Profit	28%	24%	18%	14%	12%
PBDIT	31%	28%	23%	18%	23%
Interest	0%	0%	0%	0%	0%
PBDT	31%	28%	23%	18%	23%
Depreciation	2%	2%	2%	2%	2%
<b>Profit Before Tax</b>	<b>29%</b>	<b>26%</b>	<b>21%</b>	<b>17%</b>	<b>21%</b>
PBT	29%	26%	21%	17%	21%
Tax	9%	8%	5%	3%	3%
<b>Reported Net Profit</b>	<b>20%</b>	<b>18%</b>	<b>16%</b>	<b>14%</b>	<b>19%</b>

**INTERPRETATION:**

- ✓ For the analysis of Profit and Loss A/c we have taken the **Net sales** figures as **100%**.
- ✓ From the analysis of common size statement, we can interpret that the **miscellaneous expenditure** is constant for first two years then after it has minor changes.
- ✓ The **operating profit** of the company is constantly increases from last five years.
- ✓ **Interest** are not occurred in last five years.
- ✓ The **net profit** of the company increased 2% as compared to last year and decreased in 2012 and 2013 as compared to 2011.

# Chapter-3

# Trend Analysis

### 3.1 TREND ANALYSIS

**Trend analysis** involves calculation of percentage changes in financial statement items for number of successive years. It is an extension of horizontal analysis to several years. Trend analysis is carried out by first assigning value of 100 to the financial statement items in past financial years used as the base year. Then expressing financial statement items in the following years as a percentage of the base year value.

By the trend analysis we can quickly get idea about company's performance easily.



## 3.2 TREND ANALYSIS OF BALANCE SHEET

Table 3.2.0.1: TREND ANALYSIS OF BALANCE SHEET

TREND ANALYSIS OF BALANCE SHEET					
Particular	in Rs. Cr.				
	Mar'16	Dec'14	Dec'13	Dec'12	Dec'11
	15 months	12 months	12 months	12 months	12 months
<b>Sources Of Funds</b>					
Total Share Capital	101%	100%	100%	100%	100%
Reserves	414%	235%	155%	117%	100%
<b>Networth (A)</b>	398%	228%	152%	116%	100%
Secured Loans	0%	0%	62%	308%	100%
Unsecured Loans	291%	0%	0%	0%	100%
<b>Total Debt (B)</b>	158%	0%	28%	140%	100%
<b>Total Liabilities (A+B)</b>	392%	223%	149%	117%	100%
<b>Application Of Funds</b>					
Gross Block	572%	318%	207%	112%	100%
Less: Accum. Depreciation	293%	147%	126%	98%	100%
<b>Net Block (A)</b>	779%	446%	266%	123%	100%
<b>Capital Work in Progress (B)</b>	2017%	1410%	331%	1433%	100%
<b>Investments (C)</b>	363%	229%	165%	125%	100%
Inventories	663%	453%	318%	167%	100%
Sundry Debtors	1125%	261%	296%	151%	100%
Cash and Bank Balance	1494%	1445%	628%	117%	100%
Total Current Assets	747%	495%	334%	163%	100%
Loans and Advances	194%	232%	146%	96%	100%
Total CA, Loans & Advances	390%	325%	212%	120%	100%
Current Liabilities	690%	472%	319%	177%	100%
Provisions	104%	328%	194%	127%	100%
Total CL & Provisions	546%	436%	288%	164%	100%
<b>Net Current Assets (D)</b>	833%	642%	429%	247%	100%
<b>Total Assets(A+B+C-D)</b>	392%	223%	149%	117%	100%

**INTERPRETATION:**

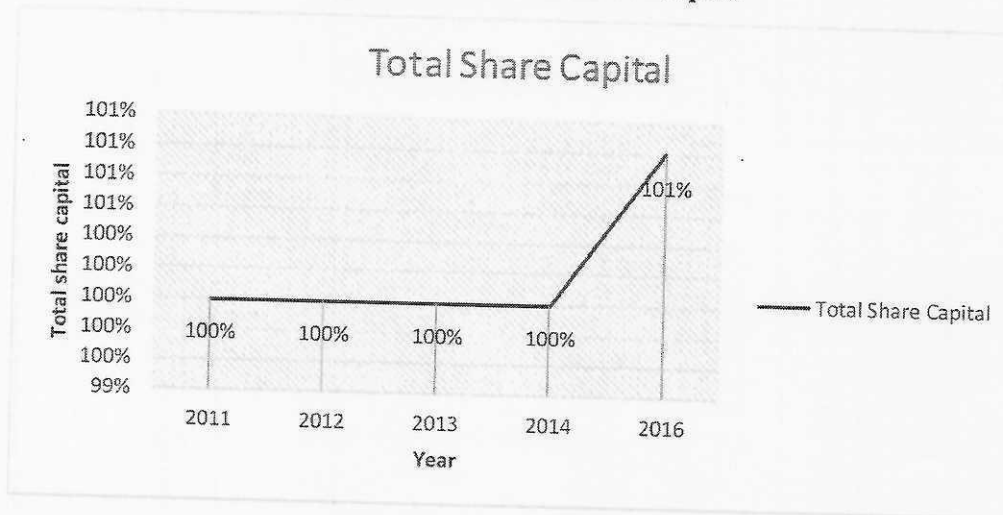
The interpretation of each item of the balance sheet is depicted as follow.....

✓ **Share capital:**

**Table 3.2.1: Total Share Capital**

Year	2016	2014	2013	2012	2011
Total share capital	101%	100%	100%	100%	100%

**Figure 3.2.1: Total Share Capital**



**Interpretation:**

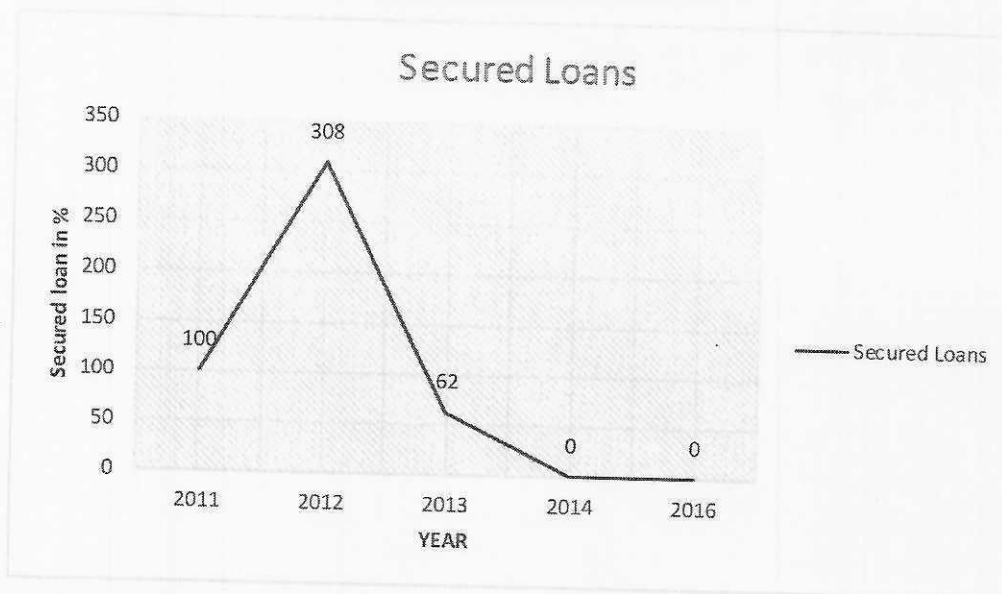
The growth rate of the share capital of the company constantly remains the stable for the four years but in 2016 only 1% incremental is we have noticed. So we can say that company growth rate remains same for constantly five years.

✓ Secured loans

Table 3.2.2: Secured Loans

Year	2016	2014	2013	2012	2011
Secured Loans	0%	0%	62%	308%	100%

Figure 3.2.2. Secured Loans



**Interpretation:**

The growth rate of the secured loans of the company in last two year has 0%. Which means it's favourably effect on current liabilities. It is good indicator for the company. But in 2012 it is very high as comparing 2011 to 2016 data.

## 3.3 TREND ANALYSIS OF PROFIT AND LOSS A/C

Table 3.3.0.2: Trend Analysis of Profit and Loss A/c

TREND ANALYSIS OF PROFIT AD LOSS ACCOUNT					
Particular	in Rs. Cr.				
	Mar'16	Dec'14	Dec'13	Dec'12	Dec'11
	15 months	12 months	12 months	12 months	12 months
<b>Income</b>					
Sales Turnover	940%	447%	258%	159%	100%
Excise Duty	1115%	405%	302%	182%	100%
<b>Net Sales</b>	922%	451%	254%	156%	100%
Other Income	232%	151%	104%	60%	100%
Stock Adjustments	370%	300%	222%	148%	100%
<b>Total Income</b>	842%	418%	238%	146%	100%
<b>Expenditure</b>					
Raw Materials	758%	402%	237%	151%	100%
Power & fuel cost	714%	359%	273%	170%	100%
Employee cost	626%	315%	217%	155%	100%
Miscellaneous Expenses	741%	338%	225%	159%	100%
<b>Total Expenses</b>	745%	386%	235%	153%	100%
Operating Profit	2161%	916%	392%	182%	100%
PBDIT	1217%	542%	251%	122%	100%
Interest	70%	83%	13%	13%	100%
PBDT	1232%	548%	254%	123%	100%
Depreciation	1058%	385%	234%	132%	100%
<b>Profit Before Tax</b>	1248%	563%	256%	123%	100%
PBT (Post Extra-ord Items)	1248%	563%	256%	123%	100%
Tax	3123%	1384%	489%	168%	100%
<b>Reported Net Profit</b>	<b>987%</b>	<b>449%</b>	<b>224%</b>	<b>116%</b>	<b>100%</b>

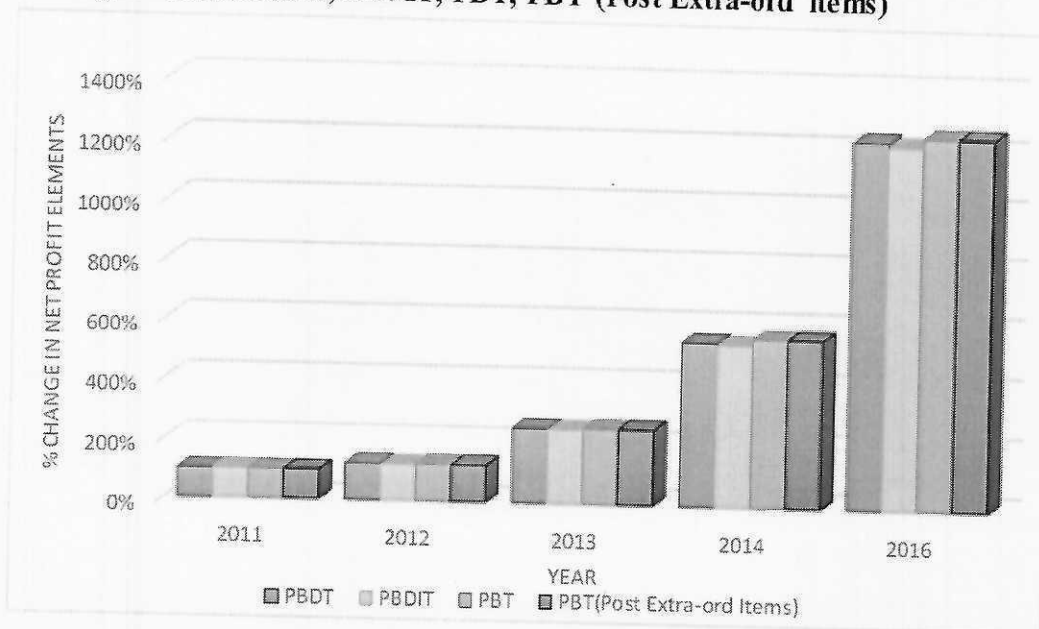


✓ PBDT, PBDIT, PBT, PBT (Post Extra-ord items)

Table 3.3.5: PBDT, PBDIT, PBT, PBT (Post Extra-ord items)

Year	2016	2014	2013	2012	2011
PBDT	1232%	548%	254%	123%	100%
PBDIT	1217%	542%	251%	122%	100%
PBT	1248%	563%	256%	123%	100%
PBT(Post Extra-ord items)	1248%	563%	256%	123%	100%

Figure 3.3.5: PBDT, PBDIT, PBT, PBT (Post Extra-ord items)



**Interpretation:**

The graph of profit for the year shows, that net profit of the company, it is representing the PBDT, PBDIT, PBT and PBT (Post Extra-ord Items) of specific year. Company earned more profit in last five years as we can see in the graph. In last year companies profit increased double because of less interest and exception income of the company.

# **Chapter-4**

# **Ratio Analysis**

#### 4.1 RATIO ANALYSIS

Ratio analysis is an important technique of financial analysis. It is a means for judging the financial health of a business enterprise. It determines and interprets the liquidity, solvency, profitability, etc. of a business enterprise.

- It becomes simple to understand various figures in the financial statements through the use of different ratios. Financial ratios simplify, summarize, and systemize the accounting figures presented in financial statements.
- With the help of ratio analysis, comparison of profitability and financial soundness can be made between one industry and another. Similarly, comparison of current year figures can also be made with those of previous years with the help of ratio analysis and if some weak points are located, remedial measures are taken to correct them.
- If accounting ratios are calculated for a number of years, they will reveal the trend of costs, sales, profits and other important facts. Such trends are useful for planning.
- Financial ratios, based on a desired level of activities, can be set as standards for judging actual performance of a business. For example, if owners of a business aim at earning profit @ 25% on the capital which is the prevailing rate of return in the industry then this rate of 25% becomes the standard. The rate of profit of each year is compared with this standard and the actual performance of the business can be judged easily.
- Ratio analysis discloses the position of business with different viewpoint. It discloses the position of business with liquidity viewpoint, solvency view point, profitability viewpoint, etc. with the help of such a study; we can draw conclusion regarding the financial health of business enterprise.

### 1. PROFIT MARGIN RATIO

The profit margin ratio, also called the return on sales ratio or gross profit ratio, is a profitability ratio that measures the amount of net income earned with each dollar of sales generated by comparing the net income and net sales of a company. In other words, the profit margin ratio shows what percentage of sales are left over after all expenses are paid by the business.

Creditors and investors use this ratio to measure how effectively a company can convert sales into net income. Investors want to make sure profits are high enough to distribute dividends while creditors want to make sure the company has enough profits to pay back its loans.

$$\text{Profit Margin Ratio} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

**Table 4.1.1: Profit Margin Ratio**

Year	2016	2014	2013	2012	2011
Profit Margin (%)	20%	18%	16%	14%	19%

**Figure 4.1.1: Profit Margin Ratio**



**Interpretation:**

As per the above chart we can conclude that the operating margin is increase in year 2012, 2013, 2014 and 2016 its show that a higher value of operating margin ratio is favourable which indicates that more proportion of revenue is converted to operating income. An increase in operating margin ratio overtime means that the profitability is improving.

#### 4. CURRENT RATIO

The current ratio is a liquidity and efficiency ratio that measures a firm's ability to pay off its short-term liabilities with its current assets. The current ratio is an important measure of liquidity because short-term liabilities are due within the next year.

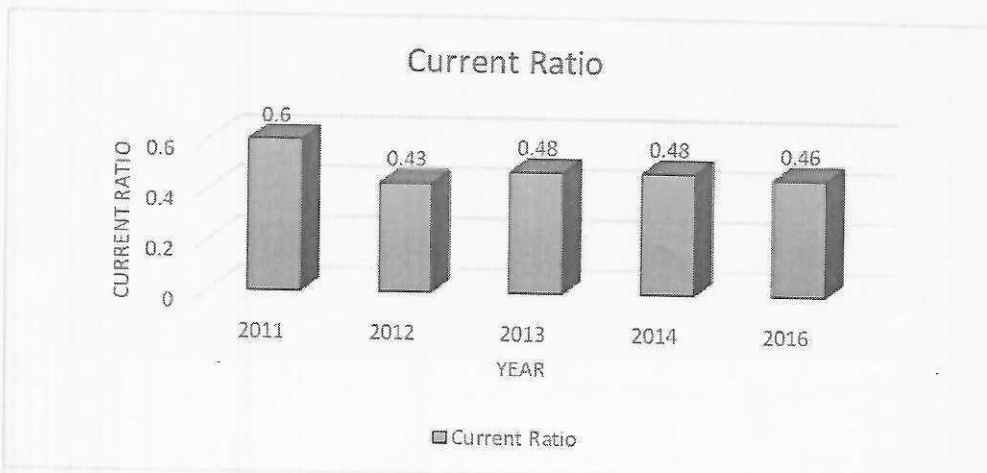
This means that a company has a limited amount of time in order to raise the funds to pay for these liabilities. Current assets like cash, cash equivalents, and marketable securities can easily be converted into cash in the short term. This means that companies with larger amounts of current assets will more easily be able to pay off current liabilities when they become due without having to sell off long-term, revenue generating assets.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{current Liabilities}}$$

Table 4.1.4: Current Ratio

Year	2016	2014	2013	2012	2011
Current Ratio	0.46	0.48	0.48	0.43	0.60

Figure 4.1.4: Current Ratio



#### Interpretation:

The standard for current ratio is 2:1, whereas the same for 2011 this company had 0.60:1 signifying that for every Rs.1 of current liabilities the company had the Rs.0.60 current assets. For the year 2016 this company had the 0.46:1 signifying that for every Rs.1 of current liabilities the company had the Rs.0.46 worth of current Assets. The state affairs are quite comfortable and looking to the fact that current assets mostly comprise liquid assets. It can be said that the company will be able to meet its current liabilities with ease, as when they arise.



### 5. QUICK RATIO-ACID RATIO

The quick ratio or acid test ratio is a liquidity ratio that measures the ability of a company to pay its current liabilities when they come due with only quick assets. Quick assets are current assets that can be converted to cash within 90 days or in the short-term. Cash, cash equivalents, short-term investments or marketable securities, and current accounts receivable are considered quick assets.

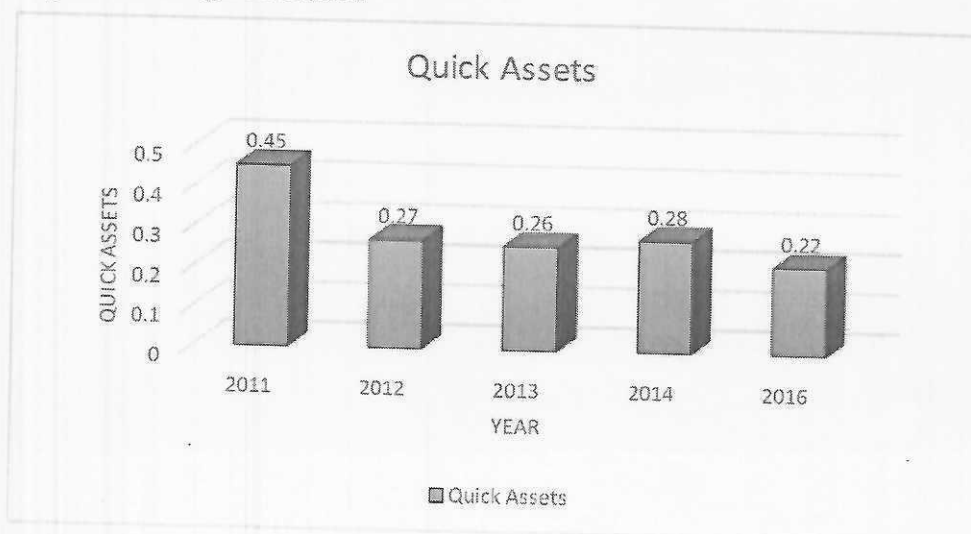
$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Total Liabilities}}$$

Quick Assets=Total Current Assets-Inventory-Prepaid Expenses

Table 4.1.5: Quick Assets

Year	2016	2014	2013	2012	2011
Quick Assets	0.22	0.28	0.26	0.27	0.45

Figure 4.1.5: Quick Assets



#### Interpretation:

In 2011 the company's quick ratio was 0.45 and in 2012 it was further reduced at 0.27 and goes on 0.22 in 2016 the ratio shows that the company has not sound working capital management to meet its current liabilities.

# **Chapter-5**

# **Recommendation & Suggestion**

## RECOMMENDATION AND SUGGESTION

- ✓ Growth of the company is very good but we recommend that it can still manage its assets and liabilities well so as to take advantage of leverage and earn more on them keeping idle.
- ✓ EPS ratio is gradually increases investors are highly interesting to invest in the company, so company can easily raise the funds from the market.
- ✓ Interest coverage ratio continuous increases implies that the company has not sound ability to service its interest to the lenders.

# Chapter-6

# Conclusion

## CONCLUSION

Throughout financial project we came to know that company is working more 50 years'. Eicher motors limited tried well to stay in market through diversifying their product in the market. At starting they are manufacturing only tract but they tried well to predicted future and "how they can survive in the market?" So they diversified they product and as well as market segment to generate more profit.

For financial analysis we have found that the company's earnings per share return is well in the market and the profit of company also growing year by year which is well indicator for the company.

In debtor's turnover ratio of the company is well managed by the organization to manage receivables to generate rapid cash in the company. So, it will beneficial to do day to day transaction.

After analysing the quick assets ratio, we can conclude that the company has not sound working capital management to meets its current liabilities. The main reason behind that the ratio continuously decreases from last 5 years.

The current ratio of the company is totally worst because company had not tried to maintain 2:1 standard to meet its current liabilities with easy, whenever it will arise in the company.

From the analysis of profit margin ratio, we can say that company's overall profitability is increases year by year. Which is best to those who want to invest in this company to take advantages.



## ANNEXURE

## BALANCE SHEET OF EICHER MOTORS LIMITED

BALANCE SHEET'S OF EICHER MOTORS LIMITED					
Particular	in Rs. Cr.				
	Mar'16	Dec'14	Dec'13	Dec'12	Dec'11
	15 months	12 months	12 months	12 months	12 months
<b>Sources Of Funds</b>					
Total Share Capital	27.16	27.10	27.04	27.00	26.99
Reserves	2123.62	1206.56	794.30	602.05	513.05
<b>Networth (A)</b>	<b>2150.78</b>	<b>1233.66</b>	<b>821.34</b>	<b>629.05</b>	<b>540.04</b>
Secured Loans	0.00	0.00	4.00	20.01	6.50
Unsecured Loans	22.57	0.00	0.00	0.00	7.75
<b>Total Debt (B)</b>	<b>22.57</b>	<b>0.00</b>	<b>4.00</b>	<b>20.01</b>	<b>14.25</b>
<b>Total Liabilities (A+B)</b>	<b>2173.35</b>	<b>1233.66</b>	<b>825.34</b>	<b>649.06</b>	<b>554.29</b>
<b>Application Of Funds</b>					
Gross Block	1119.35	623.01	404.59	219.45	195.73
Less: Accum. Depreciation	244.60	122.43	105.34	81.75	83.43
<b>Net Block (A)</b>	<b>874.75</b>	<b>500.58</b>	<b>299.25</b>	<b>137.70</b>	<b>112.30</b>
<b>Capital Work in Progress (B)</b>	<b>84.93</b>	<b>59.34</b>	<b>13.92</b>	<b>60.33</b>	<b>4.21</b>
<b>Investments (C)</b>	<b>1882.04</b>	<b>1188.58</b>	<b>856.35</b>	<b>649.39</b>	<b>518.01</b>
Inventories	300.36	205.13	143.84	75.41	45.27
Sundry Debtors	46.13	10.70	12.13	6.20	4.10
Cash and Bank Balance	44.52	43.05	18.71	3.50	2.98
Total Current Assets	391.01	258.88	174.66	85.11	52.35
Loans and Advances	185.27	221.51	138.98	91.71	95.51
Total CA, Loans & Advances	576.28	480.39	313.66	176.82	147.86
Current Liabilities	1186.30	811.39	549.32	303.80	172.03
Provisions	58.35	183.84	108.52	71.38	56.06
Total CL & Provisions	1244.65	995.23	657.84	375.16	228.09
<b>Net Current Assets (D)</b>	<b>-668.37</b>	<b>-514.84</b>	<b>-344.18</b>	<b>-198.36</b>	<b>-80.23</b>
<b>Total Assets(A+B+C-D)</b>	<b>2173.35</b>	<b>1233.66</b>	<b>825.34</b>	<b>649.06</b>	<b>554.29</b>

KADI SARVA VISHWAVIDAYALAYA UNIVERSITY  
**PROFIT AND LOSS A/C OF EICHER MOTORS LIMITED**

PROFIT AND LOSS ACCOUNT					
Particular	in Rs. Cr.				
	Mar'16	Dec'14	Dec'13	Dec'12	Dec'11
	15 months	12 months	12 months	12 months	12 months
<b>Income</b>					
Sales Turnover	6,983.98	3,320.23	1,917.76	1,179.30	742.83
Excise Duty	795.95	289.01	215.29	130.04	71.38
<b>Net Sales</b>	<b>6188.03</b>	<b>3031.22</b>	<b>1702.47</b>	<b>1049.26</b>	<b>671.45</b>
Other Income	178.24	116.3	80.1	45.78	76.78
Stock Adjustments	53.22	43.17	31.96	21.27	14.4
<b>Total Income</b>	<b>6419.49</b>	<b>3190.69</b>	<b>1814.53</b>	<b>1116.31</b>	<b>762.63</b>
<b>Expenditure</b>					
Raw Materials	3614.75	1914.63	1131.04	721.74	476.7
Power & fuel cost	46.17	23.23	17.68	11.01	6.47
Employee cost	319.64	160.9	110.9	78.86	51.04
Miscellaneous Expenses	530.21	242.07	161.08	113.49	71.55
<b>Total Expenses</b>	<b>4510.77</b>	<b>2340.83</b>	<b>1420.7</b>	<b>925.1</b>	<b>605.76</b>
Operating Profit	1730.48	733.56	313.73	145.43	80.09
PBDIT	1908.72	849.86	393.83	191.21	156.87
Interest	1.41	1.67	0.27	0.26	2.02
PBDT	1907.31	848.19	393.56	190.95	154.85
Depreciation	137.73	50.16	30.41	17.15	13.02
<b>Profit Before Tax</b>	<b>1769.58</b>	<b>798.03</b>	<b>363.15</b>	<b>173.8</b>	<b>141.83</b>
PBT (Post Extra-ord Items)	1769.58	798.03	363.15	173.8	141.83
Tax	539.73	239.11	84.53	29.04	17.28
<b>Reported Net Profit</b>	<b>1229.85</b>	<b>558.92</b>	<b>278.62</b>	<b>144.76</b>	<b>124.55</b>

LIST OF TABLES AND GRAPHS

Table List		Graph List	
Table Number	Name Of the Table	Graph Number	Name of The Graph
2.2.1	Common Size Statement Of Balance Sheet	3.2.1	Total Share Capital
2.3.1	Common Size Statement Of Profit And Loss A/C	3.2.2	Secured Loans
3.2.0.1	Total Share Capital	3.2.3	Unsecured Loans
3.2.1	Secured Loans	3.2.4	Total Current Liabilities
3.2.2	Unsecured Loans	3.2.5	Total Liabilities
3.2.3	Total Current Liabilities	3.2.6	Net Block
3.2.4	Total Liabilities	3.2.7	Capital Work In Progress
3.2.5	Net Block	3.2.8	Total Current Assets
3.2.6	Capital Work In Progress	3.2.9	Net Current Assets
3.2.7	Total Current Assets	3.3.1	Net Sales
3.2.8	Net Current Assets	3.3.2	Sales Turnover/Gross Sales
3.2.9	Trend Analysis Of Balance Sheet	3.3.3	Total Expenditure
3.2.0.2	Trend Analysis Of Profit And Loss A/C	3.3.4	Operating Profit
3.3.1	Net Sales	3.3.5	PBDT, PBDIT, PBT, PBT (Post Extra-Ord Items)
3.3.2	Sales Turnover/Gross Sales	3.3.6	PAT
3.3.3	Total Expenditure	4.1.1	Profit Margin Ratio
3.3.4	Operating Profit	4.1.2	Total Assets Turnover Ratio
3.3.5	PBDT, PBDIT, PBT, PBT (Post Extra-Ord Items)	4.1.3	Operating Profit Ratio
3.3.6	PAT	4.1.4	Current Ratio
4.1.1	Profit Margin Ratio	4.1.5	Quick Assets
4.1.2	Total Assets Turnover Ratio	4.1.6	Debt To Equity Ratio
4.1.3	Operating Profit Ratio	4.1.7	Inventory Turnover Ratio
4.1.4	Current Ratio	4.1.8	Debtors Turnover Ratio
4.1.5	Quick Assets	4.1.9	Return On Assets Ratio
4.1.6	Debt To Equity Ratio	4.1.10	Return On Equity Ratio
4.1.7	Inventory Turnover Ratio	4.1.11	Interest Coverage Ratio
4.1.8	Debtors Turnover Ratio	4.1.12	Earnings Per Share
4.1.9	Return On Assets Ratio		
4.1.10	Return On Equity Ratio		
4.1.11	Interest Coverage Ratio		
4.1.12	Earnings Per Share		