

A Study on Financial Performance of Eicher Motors Ltd

Dr M K¹ Senthil Kumar, Mr S¹, Kavin Kumar

¹Assistant Professor, Department of B Com CA, Sri Ramakrishna College of Arts & Science, Coimbatore

²III B Com CA, Sri Ramakrishna College of Arts & Science, Coimbatore

Abstract

The process of accessing companies, projects, budgets, and other finance-related transactions to ascertain their suitability and performance is known as financial analysis. Financial analysis is typically used to determine whether a company is stable, solvent, liquid, or profitable enough to justify a financial investment. The process of analyzing a company's performance in relation to its industry and economic environment in order to make a recommendation or decision is known as financial Analysis. This study employs a number of research methods including, Profitability ratios, Solvency ratios and Comparative balance sheet. The process of identifying a company's strengths and weaknesses is referred to as financial analysis. By determining the relationship between the items on the balance sheet and profit and loss account of the business, the study is completed. The investigation was conducted by examining EICHER MOTORS LTD five-year (2020-21 to 2024-25) financial statements. The study's primary motives are to assist in determining the company's growth and to determine the company's financial analysis. Secondary data is used in this study. Finally the result of this study company's profit is good and the company's assets and liabilities are used in satisfactory manner.

Keywords: Eicher motors ltd, Ratio Analysis, Comparative Statement, company's performance

INTRODUCTION

Financial analysis is a systematic process of evaluating the financial performance and position of a business by examining its financial statements. It involves the study of data contained in the income statement, balance sheet, and cash flow statement to assess the profitability, liquidity, solvency, efficiency, and overall financial stability of an organization. Financial analysis plays a vital role in understanding how effectively a company utilizes its resources and manages its finances.

In today's competitive business environment, financial analysis is essential for various stakeholders such as management, investors, creditors, and regulatory authorities. Management uses financial analysis to plan, control, and make strategic decisions, while investors and creditors rely on it to evaluate risk, return, and the financial soundness of the company. Through proper financial analysis, stakeholders can identify trends, strengths, weaknesses, and potential areas of improvement.

COMPANY PROFILE

Eicher Motors Limited is an Indian multinational automotive company that

manufactures motorcycles and commercial vehicles, headquartered in New Delhi. Eicher is the parent company of Royal Enfield, a manufacturer of middleweight motorcycles. It also manufactures Eicher branded trucks and buses, under a joint venture with Volvo Group

TRADE NAME	Eicher Motors
COMPANY TYPE	Public Company
ISIN	INE066A01013
INDUSTRY	Automotive
FOUNDED	1948
FOUNDER	Vikram Lal
HEADQUATERS	New Delhi , India

STATEMENT OF THE PROBLEM

Financial performance analysis is essential for understanding the operational efficiency, profitability, liquidity, and long-term solvency of a company. In the highly competitive automobile industry, companies like Eicher Motors Ltd. operate in a dynamic environment influenced by market competition, economic conditions, cost fluctuations, and changing consumer preferences. Despite Eicher Motors' strong brand presence and growth potential,

stakeholders such as investors, creditors, and management require a systematic evaluation of its financial position to make informed decisions.

The problem addressed in this study is the lack of a detailed and structured analysis of the financial performance of Eicher Motors using financial statements and ratio analysis. Mere presentation of financial statements does not provide meaningful insights unless the data is analyzed and interpreted properly. Therefore, it becomes necessary to apply financial and ratio analysis tools to assess the company's liquidity, profitability, efficiency, and solvency over a period of time.

OBJECTIVES

1. To study about the financial performance of Eicher Motors Ltd.
2. To measure the profitability, solvency and financial soundness by evaluating financial statements.

SCOPE OF THE STUDY

The study entitled "A DATA-DRIVEN FINANCIAL PERFORMANCE EVALUATION OF EICHER MOTORS LTD USING RATIO ANALYSIS" is to analyze the financial performance of Eicher Motors Ltd for the last 5 years. The study is based on the financial position of the firm by using Ratio analysis, and Comparative statements. Financial statements help the management to analyze profit, solvency, liquidity and efficiency etc. This analysis will give the exact picture of the company. These studies will also help the management to take managerial decisions to understand the new possibilities. The study helps us to conduct researches in financial areas and it also helps us for taking financial Decisions in Personal Life.

LIMITATIONS

1. The study is based on secondary data.
2. The analysis taken only for past 5 years only.

REVIEW OF LITERATURE

Sharma, R. & Mehta, P. (2020) in their study titled "Financial Performance Analysis of Eicher Motors Ltd." examined the financial health and performance of Eicher Motors during a period of

changing market conditions in the Indian automobile industry. The study highlights the importance of financial analysis in understanding the company's profitability, liquidity, and solvency position. Ratio analysis was used as the primary tool to evaluate operational efficiency and financial stability. The findings indicate that profitability and efficiency ratios play a significant role in measuring the company's ability to sustain growth, while liquidity and leverage ratios help assess short-term obligations and long-term financial risk. The study contributes to the literature by providing insights into the financial resilience of Eicher Motors during industry fluctuations.

Kumar, S. & Verma, A. (2022) conducted a study entitled "A Study on Financial Stability and Ratio Analysis of Eicher Motors Ltd." focusing on the post-pandemic recovery phase of the automobile sector. The research emphasizes the relevance of liquidity ratios, profitability ratios, and solvency ratios in evaluating the financial soundness of Eicher Motors. The study identifies ratio analysis as a reliable tool for assessing financial performance and managerial efficiency. The findings suggest that strong profitability and controlled leverage improved investor confidence, while fluctuations in liquidity ratios highlighted areas requiring better working capital management. The study fills a gap by linking financial ratio trends with economic uncertainty and recovery patterns.

Patel, N. & Joshi, K. (2025) in their research paper "Evaluating Financial Performance and Solvency of Eicher Motors Ltd." Analyzed the company's financial statements to assess its long-term financial stability and risk exposure. The study underscores the use of comprehensive financial ratio analysis, including liquidity, profitability, efficiency, and leverage ratios, as effective tools for evaluating corporate financial health. The research highlights that consistent profitability and optimal capital structure enhance the company's solvency and market position. By integrating multiple financial indicators into a unified performance evaluation framework, the study addresses gaps identified in earlier literature and provides a holistic view of Eicher Motors' financial strength.

RESEARCH METHODOLOGY

Research Design

The research follows a descriptive and analytical research approach. Descriptive research is employed to examine and present the financial position of the company, whereas analytical research is used to evaluate and interpret financial information by applying various financial tools and ratio analysis techniques.

Nature of the Study

The study is quantitative in nature, as it relies on numerical financial data extracted from published financial statements to evaluate performance, profitability, liquidity, and solvency.

Source of Data

The study is based entirely on secondary data collected from reliable and authenticated sources such as:

- Annual Reports of the company
- Audited Financial Statements
- Stock exchange websites (BSE / NSE)

Period of the Study

The analysis covers a period of five years (that is from 2020–21 to 2024–25) to examine trends and year-to-year variations in financial performance.

Tools and Techniques of Analysis

The following financial and statistical tools are used for analysis and interpretation:

- Ratio Analysis (Liquidity, Profitability and Solvency ratios)
- Comparative Financial Statements

Data Analysis and Interpretation Ratio analysis

Table no: 01
Liquidity Ratios

S. No	Financial Year	Current Ratio	Quick Ratio
01	2020-21	2.40	3.28
02	2021-22	2.23	1.65
03	2022-23	1.31	0.85
04	2023-24	0.97	0.84
05	2024-25	1.15	1.41

(Source: Secondary data)

Data Interpretation

The liquidity position of Eicher Motors Ltd. was strong in 2020–21 and 2021–22, with both current and quick ratios well above standard levels. However, liquidity declined significantly during 2022–23 and 2023–24, indicating increased short-term financial pressure. In 2024–25, the ratios improved, showing a recovery in the company's ability to meet short-term obligations. Overall, liquidity weakened over the period but showed signs of improvement in the latest year.

Table No: 02
Solvency Ratios

S.No	Financial Year	Debt Equity Ratio	Proprietary Ratio
01	2020-21	0.10	72.86%
02	2021-22	0.04	76.90%
03	2022-23	0.02	79.45%
04	2023-24	0.01	81.63%
05	2024-25	0.01	83.43%

(Source: Secondary data) Data interpretation The debt–equity ratio has declined sharply from 0.10 in 2020–21 to 0.01 in 2024–25, indicating that Cipla Ltd relies very minimally on external debt which is a very good sign. This reflects a highly conservative capital structure with low financial risk, and strong long-term solvency. The proprietary ratio has increased from 72.86% in 2020 to 83.43% in 2025 (0.72 to 0.83), showing that a major portion of the company’s assets is financed by owners’ funds. This indicates strong financial stability, creditor confidence, and long-term solvency of Cipla Ltd.

Table No: 03
Profitability Ratios

S. No	Financial Year	Gross Profit Ratio	Operating Profit ratio	Net profit ratio
01	2020-21	43.99%	33.93%	20.08%
02	2021-22	39.80%	28.51%	15.52%
03	2022-23	40.28%	30.96%	16.44%
04	2023-24	43.30%	28.90%	24.20%
05	2024-25	44.14%	28.70%	25.10%

(Source: Secondary data)

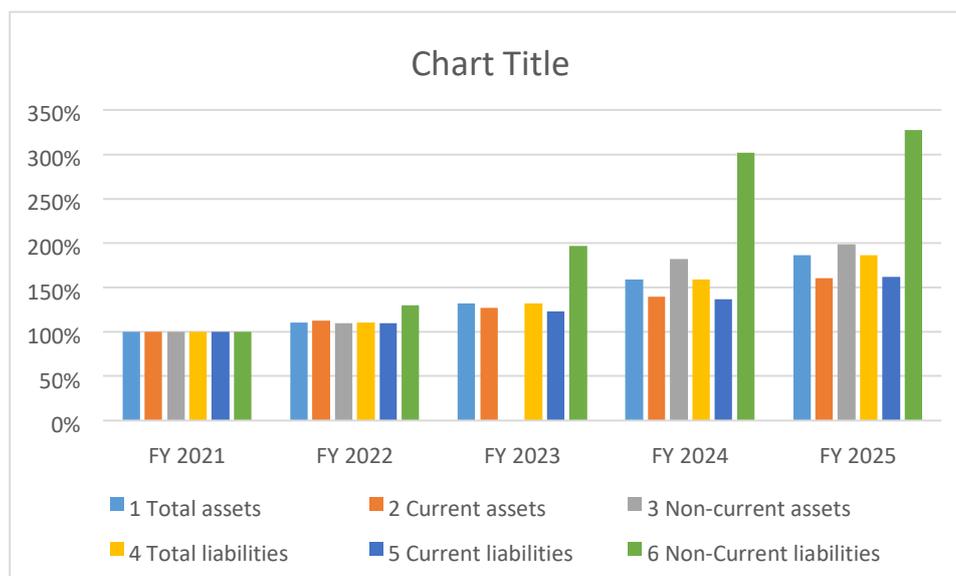
Data Interpretation

Eicher Motors maintained strong profitability throughout the period. The gross profit ratio remained high, indicating efficient production and cost control. The operating profit ratio fluctuated slightly but stayed healthy, showing effective management of operating expenses. The net profit ratio dipped in 2021–22 but improved significantly from 2022–23 onwards, reaching 25.10% in 2024–25, reflecting improved overall profitability and better bottom-line performance. Overall, the company demonstrates consistent and strong profitability with a positive recovery trend in recent years.

TABLE NO: 04
Comparative Balance Sheet

S.No	Particulars	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
01	Total assets	100%	110.9%	131.8%	158.8%	186.7%
02	Current assets	100%	112.8%	126.8%	139.9%	160.5%
03	Non-current assets	100%	109.5%	133.5%	181.8%	198.5%
04	Total liabilities	100%	110.9%	131.8%	158.8%	186.7%
05	Current liabilities	100%	110.0%	123.1%	136.8%	162.3%
06	Non-Current liabilities	100%	129.9%	197.3%	301.8%	327.2%

COMPARATIVE STATEMENT CHART



Data Interpretation

Eicher Motors’ total assets grew steadily from FY2021 to FY2025, with current assets increasing faster than total assets, improving liquidity. Non-current assets also rose, showing long-term investments. While total liabilities grew proportionally, non-current liabilities increased more, indicating higher long-term obligations. Overall, the company shows strong asset growth and stable financial structure.

Suggestion

- The company should maintain optimal liquidity by investing surplus cash in highreturn, low-risk instruments to avoid idle funds while ensuring operational flexibility.
- The company may cautiously use low-cost debt for expansion projects to enhance ROE without significantly increasing financial risk.
- The company should continue diversifying revenue through Specialty pharmaceuticals Branded generics Chronic and lifestyle disease segments. This will stabilize long-term earnings.
- The company should balance growth and stability by maintaining a healthy capital structure while pursuing expansion opportunities in emerging and regulated markets

CONCLUSION

The financial analysis of Eicher Motors from FY2020–21 to FY2024–25 demonstrates a strong and stable financial performance. The company maintained high liquidity, with a healthy current ratio and quick ratio, ensuring short-term obligations were easily met. Its solvency position was excellent, with minimal debt and a very high proprietary ratio, reflecting low financial risk and reliance on shareholders’ funds. Profitability ratios show consistent strength, with high gross, operating, and net profit margins, indicating effective cost management and strong operational efficiency. The comparative balance sheet analysis reveals steady growth in both assets and liabilities, with a well-managed balance between short-term and long-term resources, supporting both liquidity and long-term investments. Overall, Eicher Motors exhibits robust financial health, sustainable growth, and efficient management, making it a financially stable and profitable company over the analyzed period.

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