A Study on Financial Performance Analysis Of Mpl Light Vehicles Pvt Ltd

Abinaya S[1], Mrs Geetha B[2]
[1]Dept of Management Studies
[2]Assist.Professor, Dept of Management Studies
[1, 2] Sri ManakulaVinayagar Engineering College (Autonomous), Puducherry

Abstract- *Financial performance analysis plays a vital role in assessing the financial health, operational efficiency, and growth potential of an organization. This study examines the financial performance of MPL Light Vehicles Pvt. Ltd., a leading dealership operating under Ashok Leyland, by evaluating key financial indicators and tools. The analysis focuses on understanding the company's liquidity, profitability, solvency, and overall financial stability over a period of five years. The objective is to support managerial decision-making and highlight areas for strategic improvement. The research methodology adopted is primarily descriptive in nature, relying on secondary data collected from annual reports, financial statements, and company records. Key financial tools used include comparative balance sheet analysis, common-size statements, and ratio analysis. Ratios such as current ratio, liquid ratio, debt-equity ratio, return on equity, and net profit margin were examined to analyze short-term solvency, financial leverage, and profitability performance. The findings reflect the company's financial trends and support data-driven evaluation.*

The results reveal that MPL Light Vehicles has shown steady improvement in liquidity and profitability over the years, along with a significant reduction in debt levels, strengthening its long-termfinancial position. However, fluctuations in working capital and trade receivables indicate the need for efficient asset management. The study concludes that while the company demonstrates strong financial growth and sustainability, continuous monitoring and strategic financial planning are essential for long-term competitiveness and growth in the dynamic automobile dealership industry.

I. INTRODUCTION

The term 'financial performance analysis also known as analysis and interpretation of financial statement', refers to the process of determining financial strength and weakness of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data.

The analysis of financial statements is an important aid to financial analysis. They provide information on how the firm has performed in the past and what is its current financial position. Financial analysis is the process of identifying the financial strength and weakness of the firm from the available accounting data and financial statements. The analysis is done by establishing relationship between the different items of financial statements.

The focus of financial analysis is on key figures in the financial statements and significant relationships that exists between them. The analysis of financial statements is a process of evaluating relationship between component parts of financial statement to obtain a better understanding of the firm's position and performance. Investors and customers are keen on reviewing a company financial statement to gauge its financial strength. Financial institutions are the pillar of the company, Which makes their financial soundness a top-priority issue not for the public regulators and investors. Equally important, review the financial results helps analysts set economically sound firms apart from troubled institutions.

The first task of financial analyst is to select the information relevant to the decision under consideration from the total information contained in the financial statement. The second step involved in financial analysis is to arrange the information in away to highlight significant relationship. The final step is interpretation and drawing of references and conclusions. In brief, financial analysis is the process of selection, relation, and evaluation.

Financial performance is the process od determining the operating and financial characteristics of a firm from accounting and financial statements. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analyst attempt to measure the firm's liquidity, profitability and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value. Public sector enterprises process strong prospects for growth because they harness new business opportunities, and at the same time expanding the scope of their current business.

STATEMENT OF THE PROBLEM

Financial performance analysis is very much needed for findings out the efficiency of rising and utilization of funds in the organization by establishing strategic relationship between the components of balance sheet and profit and loss statement and other operation data for better decision making and to maximize the profitability of the organization.

OBJECTIVES OF THE STUDY

• To Study the Financial Position of MPL light Vehicles Private Limited.
• To Analyse the Liquidity and Solvency Position of Firm.
• To Evaluate the Profitability Position of Firm.

SCOPE OF THE STUDY

• The financial statements are prepared on the basis of recorded facts. The recorded facts are those which can be expressed in monetary terms.
• The statements are prepared for a particular period, generally five year.
• The transactions are recorded in chronological order, as and when the events happen.
• The accounting records and financial statements prepared from these records are based on historical costs

II. REVIEW OF LITERATURE

Shinde Govind P. & Dubey Manisha (2011) The study has been conducted considering the segments such as passenger vehicle, commercial vehicle, utility vehicle, two and three wheeler vehicle of key players performance and also analyze SWOT analysis and key factors influencing growth of automobile industry.

Sharma Nishi (2011) Studied the financial performance of passenger and commercial vehicle segment of the automobile industry in the terms of four financial parameters namely liquidity, profitability, leverage and managerial efficiency analysis for the period of decade from 200102 to 2010-11. The study concludes that profitability and managerial efficiency of Tata motors as well as Mahindra & Mahindra ltd are satisfactory but their liquidity position is not satisfactory. The liquidity position of commercial vehicle is much better than passenger vehicle segment.

Singh Amarjit & Gupta Vinod (2012) Explored an overview of automobile industry. Indian automobile industry itself as a manufacturing hub and many joint ventures have been setup in India with foreign collaboration. SWOT analysis done there

are some challenges by the virtue of witch automobile industry faces lot of problems and some innovative key features are keyless entry, electrically controlled mechanisms enhanced driving control, soft feel interiors and also need to focus in future on like fuel efficiency, emission reduction safety and durability.

Zafar S.M.Tariq & Khalid S.M (2012) The study explored that ratios are calculated from financial statements which are prepared as desired policies adopted on depreciation and stock valuation by the management. Ratio is simple comparison of numerator and a denominator that cannot produce complete and authentic picture of business. Results are manipulated and also may not highlight other factors which affect performance of firm by promoters.

Ray Sabapriya (2012) Studied the sample of automobile companies to evaluate the performance of industry through indicators namely sales, production and export trend etc for period of 2003-04 to 2009-10. The study finds that automobile industry has been passing through disruptive phases by over debt burden, under utilization of assets and liquidity instability. The researcher suggested to improving the labour productivity, labour flexibility and capital efficiency for success of industry in future.

Dawar Varun (2012) Study to analyze the effect of various fundamental corporate policy variables like dividend, debit, capital expenditure on stock prices of automobile companies of India. The study tends that dividend & investment policy are relevant and capital structure irrelevant to stock prices.

Mistry Dharmendra S. (2012) Understood a study to analyze the effect of various determinants on the profitability of the selected companies. It concluded that debt equity ratio, inventory ratio, total assets were important determinants which effect positive or negative effect on the profitability. It suggested to improve solvency as to reduce fixed financial burden on the company profit & give the benefit of trading on equity to the shareholders.

Rapheal Nisha (2013) The author tries to evaluate the financial performance of Indian tyre industry. The study was conducted for period 2003-04 to 2011-12 to analyze the performance with financial indicators, sales trend, export trend, production trend etc. The result suggests the key to success in industry is to improve labour productivity and flexibility and capital efficiency.

Hotwani Rakhi (2013) The author examines the profitability position and growth of company in light of sales and profitability of Tata Motors for past ten years. Data is

analyzed through rations, standard deviations and coefficient of variance. The study reveals that there not exists a strong relationship between sales & profitability of company.

Sharma Rashmi, Pande Neeraj & Singh Avinash (2013) For understanding how social media monitoring can help diving the consumer decision & also study. The functions of social media i.e. monitor, responses amplify and lead at maruti Suzuki India ltd. The researcher had discussion with social media team median managers for collecting data & also visited the official social media sites of MSIL.

III. RESEARCH METHODOLOGY

Research methodology is the specific procedures or techniques used to identify, in a research paper, the methodology section allows the reader to critically evaluate a study's overall validity and reliability.

RESEARCH DESIGN

Before starting the research, every researcher should know the objective of the study. The objective of the study is necessary for the study.

DESCRIPTIVE ANALYSIS

Descriptive analysis refers to the process of summarizing, organizing, and presenting data to provide a clear and meaningful description of the main features, patterns, and characteristics of a dataset. This type of analysis is primarily concerned with describing and understanding the basic properties of the data, rather than making inferences or drawing conclusions about a larger population. Descriptive analysis is often one of the first steps in data analysis and serves as a foundation for more advanced statistical techniques.

IV. DATA ANALYSIS TOOLS AND TECHNIQUES

Data analysis is a critical part of research, These tools enable the company to enable the company to evaluate the feasibility, profitability, and risks associated with long-term projects.

Comparative Analysis
Common Size Analysis
Ratio Analysis

- Current Ratio
- Liquid Ratio
- Debt to equity Ratio

- Return on Equity Ratio
- Net Profit Margin Ratio

Comparative Analysis

Comparative analysis means comparing two or more items, data, or situations to find similarities and differences. In finance, it is used to compare financial statements, ratios, or performance of a company across different years or with another company. The purpose is to identify trends, strengths, weaknesses, growth, or decline. By doing comparative analysis, we can understand how performance changes over time and make better decisions.

Commonsize Analysis

Common size analysis means expressing every item in the financial statement as a percentage of a common base so that comparison becomes easier. In the Income Statement, all items are shown as a percentage of net sales. In the Balance Sheet, all items are shown as a percentage of total assets. The main purpose is to compare performance across different years or with other companies, even if their sizes are different. Common size analysis = showing financial data in percentages to make comparison simple and clear.

Ratio Analysis

Ratio analysis is a financial tool used to evaluate a company's performance and financial health by analyzing relationship:s between various items in the financial statements. It helps measure profitability, liquidity, efficiency, and solvency of a business.

- **Current Ratio:** The Current Ratio is a liquidity ratio that measures a company's ability to pay its short-term liabilities (debts due within a year) using its short-term assets (like cash, inventory, and receivables). It shows how financially sound a company is in the short term.
- **Liquid Ratio:** Liquidity ratios measure a company's ability to pay its short-term debts (obligations due within a year) using its current or liquid assets. These ratios show whether the company has enough cash or assets that can quickly be converted into cash to meet immediate needs.
- **Debt to Equity Ratio:** The Debt-to-Equity Ratio shows the relationship between the funds borrowed from outsiders (debt) and the funds provided by the owners (equity/shareholders' funds). It indicates how much the company depends on borrowed money compared to its own money.

- **Return on Equity Ratio:** Return on Equity (ROE) is a financial ratio that measures how effectively a company uses the money invested by its shareholders to generate profit. It is calculated by dividing the company's net profit by its shareholders' equity. Formula: Return on Equity = Net Profit Shareholders equity.
- **Net Profit Margin Ratio:** Net Profit Margin Ratio measures the overall profitability of a company by showing the percentage of revenue that remains as net profit after deducting all expenses, taxes, and interest. It is calculated by dividing net profit by net sales and multiplying by 100.

DATA ANALYSIS AND INTERPRETATION

CURRENT RATIO

The current ratio of MPL Light Vehicles Pvt. Ltd. shows a mixed trend over the years. In 2021, the ratio was 0.90, indicating a weak liquidity position. It improved to 1.00 in 2022 and 1.06 in 2023, showing better ability to meet short-term obligations. In 2024, it slightly decreased to 0.97, but again rose to 1.07 in 2025. This indicates that the company gradually strengthened its liquidity position. Overall, the firm maintains a satisfactory short-term financial stability.

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	CURRENT RATIO
2021	7451.53	8273.84	0.90
2022	9521.81	9547.29	1.00
2023	11703.62	11072.80	1.06
2024	11663.09	12055.20	0.97
2025	12332.30	11430.78	1.07

LIQUID RATIO

The liquid ratio of MPL Light Vehicles Pvt. Ltd. shows gradual improvement over the years. In 2021, the ratio was 0.64, indicating a low ability to meet immediate liabilities. It increased to 0.78 in 2022 and 0.81 in 2023, showing better short-term liquidity. In 2024, it slightly declined to 0.70 but improved again to 0.82 in 2025. This shows the company's growing efficiency in managing liquid assets.

YEAR	CURRENT ASSET	CURRENT LIABILITIES	QUICK RATIO
2021	5309.84	8273.84	0.64
2022	7446.61	9547.29	0.78
2023	8932.2	11072.80	0.81
2024	8472.4	12055.20	0.70
2025	9374.98	11430.78	0.82

DEBT TO EQUITY RATIO

The debt-to-equity ratio of MPL Light Vehicles Pvt. Ltd. shows a steady decline over the years. In 2021, the ratio was 0.53, indicating moderate dependence on debt. It gradually decreased to 0.47 in 2022 and 0.37 in 2023, showing reduced financial risk. In 2024, the ratio further fell to 0.25 and reached 0.12 in 2025. This indicates that the company is relying more on equity than debt.

YEAR	TOTAL DEBT	SHAREHOLDERS FUNDS	DEBT EQUITY RATIO
2021	3716.25	6977.2	0.53
2022	3507.1	7336.9	0.47
2023	3180.1	8387.93	0.37
2024	2254.53	8810.37	0.25
2025	1435.44	11518.79	0.12

RETURN ON EQUITY RATIO

The return on equity ratio of MPL Light Vehicles Pvt. Ltd. shows varying performance during the years. In 2021, the company earned a fair return of 0.13, but it declined in 2022 and 2023 to 0.03 and 0.01. A significant improvement was seen in 2024 with a high return of 0.60, showing effective use of shareholders' equity. However, in 2025, it dropped to 0.00, indicating no return to shareholders. This fluctuation shows inconsistent profitability. The company needs better management to maintain steady returns in the future

YEARS	NET PROFIT	SHAREHOLDERS EQUITY	RETURN ON EQUTIYRATIO
2021	218.43	1592.78	0.13
2022	56.55	1524.87	0.03
2023	23.97	1500.21	0.01
2024	566.31	933.91	0.60
2025	0.02	1094.24	0.00

NET PROFIT MARGIN RATIO

The net profit margin ratio of MPL Light Vehicles Pvt. Ltd. shows an unstable trend over the years. In 2021, the company had a good profit margin of 0.13, but it decreased in 2022 and 2023. A strong improvement was seen in 2024 with a high margin of 0.43, showing better profitability. However, in 2025, the ratio dropped to 0.00, indicating almost no profit. This fluctuation shows inconsistency in profit performance. The company needs to maintain stable operations to improve long-term profitability.

YEARS	NET PROFIT	NET SALES	NET PROFIT MARGIN RATIO
2021	218.43	1616.88	0.13
2022	56.55	1268.34	0.04
2023	23.97	1443.81	0.01
2024	566.31	1288.92	0.43
2025	0.02	1283.76	0.00

COMPARATIVE ANALYSIS

Assets increased mainly due to higher inventories and receivables. Cash fell slightly, causing liquidity pressure. Shareholders' funds rose marginally, while current liabilities increased sharply, raising financial risk

Assets expanded further with growth in inventories and loans & advances. Cash remained low. Shareholders' funds slightly declined and current liabilities kept rising, creating working capital pressure. Long-term liabilities stayed stable

Total assets dipped due to lower inventories and receivables. Cash improved slightly but remained weak. Shareholders' funds increased moderately. Current liabilities

rose further, showing high short-term dependence. Long-term borrowings reduced

Assets grew strongly, driven by higher inventories and loans & advances. Cash improved but not equal to liability growth. Shareholders' funds remained almost unchanged. Current liabilities slightly reduced and long-term debt declined, improving stability.

COMMONSIZE ANALYSIS

Fixed assets formed about 75% of total assets, while current assets were low. Shareholders' funds were below 40%, and the company depended heavily on both current and long-term liabilities.

Share of current assets further decreased, and fixed assets stayed dominant. Shareholders' funds reduced, and current liabilities increased to nearly half of total liabilities, showing high short-term credit dependence.

Reserves improved slightly, but current assets were still less than 20%. Fixed assets remained above 70%. Shareholders' funds were stable, long-term liabilities declined, but current liabilities stayed high

Current assets increased slightly but fixed assets still led. Shareholders' funds grew a little. Current liabilities remained high but reduced compared to earlier years, and long-term liabilities decreased, lowering debt pressure.

V. FINDINGS, SUGGESTTION AND CONCLUSION

FINDINGS

- The total assets of the company have shown continuous growth, indicating business expansion.
- Current assets and inventories increased, but cash balances remained low, showing weak liquidity management.
- The current ratio and liquid ratio improved over the years, reflecting better short-term financial health.
- The debt-to-equity ratio steadily decreased, showing reduced dependence on debt and improved financial stability.
- Profitability ratios such as net profit margin and return on equity fluctuated sharply, indicating unstable profit performance.
- Shareholders' funds increased slightly but were not enough to support growing assets.
- The company relied heavily on short-term borrowings, increasing financial risk in some years.

- Long-term liabilities decreased, which reduced debt burden but may have limited funds for expansion.
- The company's fixed assets formed the major part of total assets, showing heavy investment in long-term assets.
- Overall, the firm shows growth potential but needs to maintain stable profitability and better working capital control.

SUGGESTION

- The company should control operating costs to maintain steady profit margins. It should increase equity capital to reduce overdependence on short-term borrowings.
- Proper management of inventories and receivables is needed to strengthen liquidity.
- Cash flow management should be improved to meet short-term obligations smoothly.
- The firm should explore long-term financing options for future growth and stability.
- Effective budgeting and financial planning can help reduce fluctuations in profits.
- The company should focus on improving sales performance through better marketing and service quality. Regular monitoring of debt and equity structure will help maintain a healthy financial balance.
- Strengthening internal controls and cost efficiency measures can enhance profitability. The management must aim for consistent returns to shareholders to build investor confidence.

CONCLUSION

The financial analysis of MPL Light Vehicles Private Limited shows that the company has gradually improved its financial position over the years. The liquidity ratios indicate better short-term solvency, though further improvement is needed for stronger cash management. The steady decline in the debt-to-equity ratio reveals the company's effort to reduce dependence on borrowed funds and strengthen equity financing. Profitability trends show moderate growth but fluctuate due to changing market and operational conditions. The company's assets have increased, reflecting expansion and long-term investment. However, working capital management still needs more attention to ensure smooth operations. The overall financial stability of the company is satisfactory with a positive growth trend. The firm should continue focusing on cost control and efficient resource utilization. With proper financial planning and strategy, MPL Light Vehicles can achieve sustainable growth. Hence, the company has strong potential for future development and profitability.

REFERENCES

[1] Pandey, I.M. (2021). Financial Management. 12th Edition. Vikas Publishing House Pvt. Ltd., New Delhi.
[2] Khan, M.Y. & Jain, P.K. (2020). Financial Management: Text, Problems and Cases. Tata McGraw Hill Education, New Delhi.
[3] Prasanna Chandra (2019). Financial Management: Theory and Practice. McGraw Hill Education, New Delhi.
[4] https://scholar.google.comhttps://www.moneycontrol.com
[5] https://www.mca.gov.in
[6] https://www.ashokleyland.com