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FINANCIAL PERFORMANCE OF THE SELECTED FOUR WHEELER COMPANY IN SKODA INDIA PVT LTD

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ABSTRACT
This study delves into the financial performance of the automobile industry namely Skoda India Pvt Ltd, Thanjavur. The abstract defines financial performance as a systematically organized data conveying insights into the business firm's financial aspects. It emphasizes financial analysis, encompassing viability, stability, and profitability assessments, conducted by professionals using ratios derived from financial statements. The reports generated from this analysis are crucial inputs for top management in their decision-making processes. The project provides a detailed explanation of financial statement analysis, highlighting with two widely used tools: ratio analysis and common size statements analysis. Through the examination of company balance sheets and income statements, this paper aims to guide readers in understanding how these tools can be effectively employed to analyze a firm's financial position.
Keywords: Financial performance, Firm, Decision making, ratio analysis, Automobile Industry, etc.

1. INTRODUCTION

1895 to today Škoda has move toward a long way from its line as a Czech producer of bicycles under the name Laurin & Klement in 18954 . Despite its beginnings outside the field of automobiles, Škoda wasted no time transitioning into the market. The company began production of a motorized bicycle in 1898 and its first automobile in 1905, making it the third oldest manufacturer of cars in the world. Fast forward 20 years, and Laurin & Klement merged with another Czech company, Škoda Works, in order for both businesses to strengthen their position in the market . This new company retained the name Škoda, and keeps it to this day. In 1945, Škoda was nationalized, a result of Second World War and the introduction of communism in what was then Czechoslovakia . Following the fall of communist rule in Czechoslovakia in 1989, the government sought to privatize Škoda, eventually choosing Volkswagen as the company's new owner. In 2012, Škoda reached a production milestone of 14 million cars, nine million of which were produced under Volkswagen ownership . The fact that almost 65% of Škoda's total output has been achieved since the acquisition by Volkswagen illustrates the company's recent and rapid growth, a result of Volkswagen's immediate modernization of the Czech automaker. Today, Škoda is a truly international brand, operating in 103 global markets , and manufacturing vehicles in both Europe and Asia.

1.1. ANALYSIS OF FINANCIAL PERFORMANCE ANALYSIS

Financial Performance is an organized collection of data according to logical and belong accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business form. It may reveal a series of human action over a given period of time, as in the case of an income Performance. The focus of the financial analysis is on key figures in the financial Performances and the significant relationships the exists between them. The analysis of financial Performances is a process of evaluating relationships between component parts of financial Performances to obtain a better discernment of the firm's position and Performances

2.1. OBJECTIVES OF THE STUDY

1. *To study and analyse the financial position of the company and status of Financial Performance at Skoda company.*
2. *To examine the present system of functioning in Assets and Liabilities of Skoda Company.*
3. *To assess the liquidity ratio, solvency ratio and profitability ratio.*
4. *To review the growth and functioning of Company during the last 5 years.*

2.2. PERIOD OF THE STUDY

The study is qualitative in nature as it focuses its attention on the study of Financial Performance Analysis at the Skoda Company and the study made use of the secondary data which were collected for a period of last 5 years from 2019-2023.

3. RESEARCH METHODOLOGY

Research is a process in which the researcher wishes to find out the end result for a given problem and thus the solution helps in future course of action. The research has been defined as “A careful investigation or enquiry especially through search for new facts in branch of knowledge”

3.1. RESEARCH DESIGN

The research design used in this project is Analytical in nature the procedure using, which researcher has to use facts or information already available, and analyze these to make a critical evalution of the performance. Secondary data is used in this project.

3.2. DATA COLLECTION

Secondary Data

The secondary data is derived from the annual reports, Business line and finance newspapers, websites and the internal auditing books of Skoda Company.

3.3. TOOLS AND TECHNIQUES USED

To analyze and interpret the financial Performances of the study unit, the following tools have been used in the study.

Ratio Analysis

- *Liquidity Ratio*
- *Profitability Ratio*
- *Solvency Ratio*

The interpretations are also presented graphically using trend line graphs and sub-dividing bar diagram.

4. REVIEW OF LITERATURE

Joanne Loundes (2014) found that a number of measures were implemented in the 1990s to increase the effectiveness and financial performance of government trading enterprises in Australia in her study "Financial Ratio Performance of Australian Government Trading Enterprises Pre-Post Reform." The analysis shows that while railroads have somewhat recovered from a low base, there does not seem to have been a discernible improvement in the financial performance of the majority of this industry.

Sankaran K's (2015), A five-year timeframe ending in 2000 was used in Sankaran K.'s (2015) study on Indian pharmaceutical companies to evaluate ten companies—five Indian and five multinational corporations. The analysis used Altman's model to predict bankruptcy using parameters related to liquidity, profitability, and solvency; average return on net worth was also taken into account. The survey found that foreign pharmaceutical businesses outperformed their Indian counterparts in terms of performance.

Khyati Jagatkumar Patel (2015) [16], study is to know whether the automobile industry of India has been able to generate value of its shareholders, to calculate the performance of the company by applying ROI and EVA, make a study on the overall performance of Indian automobile industry and give appropriate suggestions for improving financial performance through EVA.

Sheela Christina (2017)[2], carried out the study on Financial Performance of Wheels India Limited-Chennai. The study deals with Analytical type of research design with the help of secondary data collection method. For this purpose the researcher took past five years‟ data and also checked out for the validity and reliability before conducting the study. The researcher used the following financial tool namely ratio analysis, comparative balance sheet and DuPont analysis and also statistical tools such as trend analysis and correlation. Profitability ratios indicate there is a decrease in the profit level, utilization of fixed assets and working capital in the last financial year. Thus the company can take necessary steps to improve sales and profit. Finally, the study reveals that the financial performance is satisfactory.

Mukerjee (2018), study on corporate capital structure focused on the tax consequences and the possibility of increasing firm value through leverage when assessing the cost-effectiveness of using debt for financing. The study saw a significant increase in the debt-to-equity ratio in the first half of the 1981–1982 fiscal years, especially for newly constructed units. The study emphasized the significance of interest burden management for businesses, implying that in situations of limited financial capacity, a low debt-to-equity ratio may be necessary for survival.

Singhal PK (2020) , assessed the financial performance of the two main banks operating in northern India. Mean and standard deviation were employed as statistical tools to analyse the data, and CAMEL (capital adequacy, asset quality, management competency, earning capacity, and liquidity) criteria were utilized to evaluate the results. The research's findings indicate that the banks under consideration were in a solid and favourable condition.

Islam (2023), sought to gauge Nationalized Bank Limited's financial performance. The researcher studied two time periods 2008-2010 and 2011- 2013 to see if there was a relationship among a bank's years in business and its performance. The researcher employed financial ratio analysis to assess the National Bank Limited's financial performance in terms of profitability, liquidity, and credit performance. Additionally, "t" test was performed to evaluate the hypothesis. It was discovered that overall profitability, liquidity, and credit performance all increased from 2008 to 2011 but then started to fall in 2012 and 2013. Additionally, throughout that time, Bank grew the amount of their portfolio.

5. DATA ANALYSIS AND INTERPRETATION

LIQUIDITY RATIOS:

CURRENT RATIO= (CURRENT ASSETS / CURRENT LIABILITIES) X100

Table 1

Year	*Current Assets*	*Current Liabilities*	*Current Ratio %*
2018-2019	*96,11,759*	*39,99,555*	*2.40*
2019-2020	*13,82,60,548*	*2,65,11,765*	*5.22*
2020-2021	*47,83,57,785*	*3,34,20,740*	*14.31*
2021-2022	*59,79,17,087*	*20,74,03,273*	*2.88*
2022-2023	*25,95,13,175*	*8,59,66,257*	*3.02*

Source: Authors Calculation

The above table and diagram showed the current ratio of Last five years (2019-2023)**.** the current ratio of Skoda India Private Limited varied from 2.4 to 3.02 with an average of 27:83 the solvency position of Skoda. The current ratio in the year 2020-2021 is 14.31 which came down to 2.88 in the year 2021-2022.this shows utilization of idle funds in the company.

PROFITABILITY RATIO:

OPERATING RATIO = (COST OF GOOD SOLD +OPERATING EXPENSE / NET SALES) X 100

Table 2.

Year	*Cost of good sold +operating expense*	*Net sales*	*Ratio %*
2018-2019	*1,19,53,384*	*1,20,77,275*	*98.97*
2019-2020	*25,18,99,397*	*22,66,55,598*	*111.14*

2020-2021	*79,01,99,840*	*65,60,80,452*	*120.44*
2021-2022	*1,48,85,95,462*	*1,04,39,71,057*	*142.59*
2022-2023	*58,07,51,452*	*65,14,37,853*	*89.15*

Source: Authors Calculation

The above table and diagram shows the higher ratio which indicates that the company is not able to maintain their operational efficiency but in the year 2021-2022 it shows that the firm is slowly moving towards the level of operational efficiency which is a sign for the company.

SOLVENCY RATIO:

DEBT EQUITY RATIO = (TOTAL LIABILITIES / SHAREHOLDERS' FUNDS OR NET WORTH))X 100

Table 3.

Year	***total liabilities***	***shareholders' funds***	***Ratio %***
2018-2019	*39,99,555*	*6,21,067*	*6.44*
2019-2020	*2,65,11,765*	*38,31,775*	*6.92*
2020-2021	*33,42,0740*	*40,74,31,187*	*0.08*
2021-2022	*20,74,03,273*	*42,47,27,372*	*0.49*
2022-2023	*85,96,6,257*	*17,91,56,303*	*0.48*

Source: Authors Calculation

The Ratio is calculated to assess the ability of the firm to meet its long term liabilities. Generally debt equity ratio of is considered safe. The actual debt equity ratio in the above table shows, the first two year high than the standard ratio after the ratio has increased from 6.44 in 2018-2019, and again increased 6.92 in 2019-2020. 0.08 In 2020-2021 and again raises to 0.49 and 0.48 in the 2021-2022 and 2022-2023 respectively.

6. FINDINGS

- *The current ratio in the year 2020-2021 is 14.31 which came down to 2.88 in the year 2021-2022. This shows utilization of funds in the company.*
- *The year 2021-2022 it shows that the firm is slowly moving towards the level of operational efficiency which is a sign for a company.*
- *The Ratio is calculated to aasess the ability of the firm to meets its long term liabilities*

7. SUGGESTION

1. *Ratio analysis is immensely helpful in making a comparative of the financial statement for several years*
2. *The company financial position is very secure. It is observed that most of the ratios are as per the industry standard.*
3. *Company adopts proper inventory control techniques to properly management Inventory.*

8. CONCLUSION

Skoda has experienced growth in sales, especially in Asia, but with recent declines, reaching the target of 1.5 million units annually seems challenging. To address this, Škoda can focus on expanding into emerging markets, investing in electric vehicles, and creating affordable models for price-sensitive customers. Strengthening branding, enhancing after-sales services, and improving operational efficiency can also drive growth. Additionally, partnerships with local manufacturers and a strong focus on sustainability can help the company appeal to new audiences and achieve its goals.

The study is made on the topic financial performance of the company for the five years is analyzed using the analysis techniques and it has been found that the company's finance performance is appreciable. Measurement of financial performance by ratio analysis helps identify organizational strengths and weakness by detecting financial anomalies and focusing attention in issues of organizational importance.

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