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"A STUDY OF FINANCIAL GROWTH AND MANAGEMENT UNDERTAKING AT WHEELS INDIA LIMITED"

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Abstract:

This study provides an overview of Wheels India Limited, which is promoted by the TVS Group, India's largest auto component manufacturer. Wheels India is among the world's largest manufacturers of steel, aluminium and wire wheels. Since the establishment of the organization in 1960, the company has consistently enhanced the engineering capabilities to build and deliver world-class products. We have widened our portfolio through strategic diversification to offer bus and truck chassis, suspension products, hydraulic cylinders, custom-fabricated assemblies, and precision components for wind turbines. With over 84 international patents, we continue to innovate, creating award-winning products for our global clients.This study aims to evaluate the company's current financial performance, assess its current financial health and identify potential opportunities for growth and improvement. This analysis will shed light on the company's historical financial performance and its ability to generate profits and manage its financial obligations. Opportunity analysis will explore potential growth avenues and areas where Wheels India Ltd. can enhance its financial and overall performance to sustain the market trends and competition. By providing in-depth study of the company's performance metrics, opportunities for growth, helping stakeholders to make clear decisionabout investments, partnership, strategy and so on.

Keywords:* *Financial Analysis, TVS Group, Wheels India Ltd., Auto component Manufacturer, Strategic diversification, Innovative, International Patents, Global Clients, Financial Health, Potential Opportunities, Market Trends, Competition, Stakeholders, Investment, Partnership, Strategy.

INTRODUCTION

Wheels India Limited is a company promoted by the TVS Group, India'slargest auto component manufacturer. Starting with a bus service in 1911, the TVS Group has grown to become one of India's largest business houses with business in two wheelers, vehicle dealerships & logistics and auto componentswhich had a turnover of over USD 7 Billion (FY 2012-13).Wheels India (Established in 1962) is one of the largest steel wheelmanufactures in the world. The Company had turnover of USD 375 Million(FY 2012-13) coming from the segments of Cars/ UVs, Commercial vehicles, Tractors, Single Piece wheels and Construction & Earth Mover wheels. Thecompany also manufactures air suspension kits for trucks and buses. With over15% of its turnover coming from exports, particularly from the Construction &Earth Mover equipment segment, it is truly a global player in the autocomponents industry.

LITERATURE REVIEW

The review of literature guides the researchers for getting better understandingof methodology used, limitation of various available estimation procedures anddatabase, and logical interpretation and reconciliation of the conflicting results.Besides this, the review of empirical studies explores the avenues for futureand present research efforts related to the subject matter.

Rao (1993) discussed in his research about 'Financial appraisal of Indian Automotive Tyre Industry'. Main objective of study was intended to probe into the financial condition-financial strength and weakness-of the Indian tyre industry. He has been measured and evaluates the financial performance through inter-company and inter-sector analysis for the period of 1981-1988. He has found that the fixed assets utilisation in many of the tyre undertakings was not as productive as expected and inventory was managed fairly well.

Pai, Vadivel & Kamala (1995) have studied about the diversified companiesand financial performance. Main purpose of research was found out therelationship between diversified firms and their financial performance. For thepurpose of research, they have selected seven large firms and analysed thosefirm which having different products-both related and otherwise-in theirportfolio and operating in diverse industries.

Vijayakumar A. (1996) has studied about 'Assessment of Corporate Liquidity - a discriminate analysis approach' in this research he has revealed that the growth rate of sales, leverage, current ratio, operating expenses to sales and vertical integration was the important variables which determine the profitability of companies in the sugar industry. Also he has studied the short-term liquidity position in twenty-eight selected sugar factories in co-operative and private sectors.

Reddy & Padma (2005) have been made discussed about the impact of mergers on corporate performance. They have compared the pre and post-merger operating performance of the corporations involved in merger to identify their financial characteristics. They explained their views on based of empirical research on share price performance and suggested that acquiring firm generally earns positive returns previous to declaration, but less than the market portfolio in the post liberalisations period in general and analysis of the pre and post-merger operating performance of the acquiring firm.

Gaabalwe (2007) has done descriptive studies on "financial performance measurement of South Africa's top companies: an exploratory investigation" he has made study on the base of empirical, he applied accounting tools like ratio and applied statistical tools like mean, standard deviation, and z test. For the purpose of analysis he has facilitated the analysisandinterpretation; the Z-Scores of the sampled companies were expediently used to classify the companies into three categories like high, medium and low.

Results also implied significant differences for the current ratio, liquidity ratio, return on capital employed ratio, debts-equity ratio, whereas insignificant differences for inventory ratio, debtors ratio, total assets turnover ratio, current assets turnover ratio, gross profit margin ratio, net profit ratio.

OBJECTIVES

When setting objectives for an internship project at Wheels India Limited, it's important to align them with the company's goals and your own learning objectives. Here are some general objectives you could consider:

1. **Productivity Enhancement:** Identify and implement process improvements to increase productivity in a specific department or area.

2. **Cost Optimization:** Analyse operational costs and propose cost-saving measures without compromising quality.

3. **Market Research:** Conduct market research to identify potential growth opportunities or areas where the company can expand its presence.

4. **Quality Control:** Develop and implement quality control procedures to ensure the products meet or exceed industry standards.

5. **Supply Chain Management:** Optimize the supply chain by reducing lead times, managing inventory more efficiently, or improving supplier relationships.

6.**Environmental Sustainability:** Propose and implement eco-friendly practices or initiatives to reduce the company's environmental footprint.

7. **Safety Compliance:** Ensure that safety regulations and compliance standards are met throughout the organization.

8. **Data Analysis:** Utilize data analytics to provide insights and recommendations for better decision-making.

9. **Employee Training and Development:** Create a training program or resource to enhance the skills and knowledge of employees.

10. **Project Management:** Lead a specific project from inception to completion, managing resources and timelines effectively.

SCOPE & LIMITATIONS

Scope:

1. **Diverse Product Range:** Wheels India Limited manufactures a wide range of products including steel wheels, automotive components, and industrial products. This diversity allows them to serve various industries and markets.

2. **Global Presence:** The Company has a global presence with exports to over 50 countries, indicating opportunities for international expansion and market diversification.

3. **Technological Innovation:** The Company can explore new technologies and innovations to improve product quality and operational efficiency.

4. **Sustainability:** As environmental concerns grow, there is scope for Wheels India Limited to adopt sustainable practices and eco-friendly technologies.

5. **Market Growth:** The automotive and industrial sectors are continually evolving. The company can tap into emerging markets and trends, such as electric vehicles and clean energy solutions.

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Limitations

1. **Economic Factors:** Economic fluctuations can impact demand for automotive and industrial products, affecting the company's revenue and profitability.

2. **Regulations**: The industry is subject to stringent safety and environmental regulations, which can increase compliance costs and limit certain business practices.

3. **Competition:** Intense competition in both domestic and international markets can affect pricing and market share.

4. **Supply Chain Challenges:** Disruptions in the supply chain, such as those caused by natural disasters or geopolitical issues, can impact production.

5**. Technological Disruption:** Rapid technological changes may require significant investments in research and development to remain competitive.

6. **Environmental and Social Responsibility:** Increasing societal expectations for corporate social responsibility can pose challenges in terms of sustainability practices and ethical business conduct.

STATEMENT PROBLEMS

Need of the Study

This study is conducted to know about various favourable factors which makes an auto component industry a global leader, against which international investors are willing to invest in our auto component industry.

Research Objectives

- To understand about various factors affecting Indian auto component industry.
- To understand effect of F.D.I. on Indian auto component industry.
- To understand future challenges of global auto component market.
- To understand why India is a favourable destination for auto industry.
- What could the future strategies be for Wheels India Ltd. to face global competition?

Wheels India Limited, as an automotive components manufacturer, primarily serves the needs of the automotive industry. Its role in the world economy and market needs includes:

1. **Supplying Automotive Wheels:** Wheels India Limited plays a crucial role in supplying wheels for various types of vehicles, including cars, commercial vehicles, and agricultural equipment. These wheels are essential components for the safe and efficient operation of vehicles worldwide.

2. **Supporting Transportation:** Wheels India Limited's products contribute to the global transportation industry, ensuring that vehicles can move people and goods efficiently. The transportation sector is vital for the global economy, and the company's products support this industry.

3. **Employment and Economic Impact:** The Company provides employment opportunities and contributes to the economic well-being of the regions where it operates. It indirectly supports the livelihoods of employees, suppliers, and distributors, impacting local economies.

4. **Automotive Industry Innovation:** As part of the automotive supply chain, Wheels India Limited likely contributes to innovation and development in the automotive industry, promoting advancements in safety, efficiency, and sustainability.

5. **Meeting Environmental and Safety Standards:** The Company likely plays a role in ensuring that vehicles meet environmental and safety standards worldwide. This is critical for reducing the environmental impact of transportation and enhancing safety on the road.

RESEARCH METHODOLOGY

A primary source of data is a company's annual report, including the financial statements and notes, and management commentary (operating and financial review or management's discussion and analysis). This reading focuses on data presented in financial reports prepared under International Financial Reporting Standards (IFRS) and United States generally accepted accounting principles (US GAAP). However, financial reports do not contain all the information needed to perform effective financial analysis.

Although financial statements do contain data about the past performance of a company (its income and cash flows) as well as its current financial condition (assets, liabilities, and owners' equity), such statements do not necessarily provide all the information useful for analysis nor do they forecast future results. The financial analyst must be capable of using financial statements in conjunction with other information to make projections and reach valid conclusions. Accordingly, an analyst typically needs to supplement the information found in a company's financial reports with other information, including information on the economy, industry, comparable companies, and the company itself.

TECHNIQUES OF THE ANALYSIS

Financial analysis techniques, including common-size financial statements and ratio analysis, are useful in summarizing financial reporting data and evaluating the performance and financial position of a company. The results of financial analysis techniques provide important inputs into security valuation. Key facets of financial analysis include the following:

Common-size financial statements and financial ratios remove the effect of size, allowing comparisons of a company with peer companies (cross-sectional analysis) and comparison of a company's results over time (trend or time-series analysis).

Activity ratios measure the efficiency of a company's operations, such as collection of receivables or management of inventory. Major activity ratios include inventory turnover, days of inventory on hand, receivables turnover, days of sales outstanding, payables turnover, number of days of payables, working capital turnover, fixed asset turnover, and total asset turnover.

Liquidity ratios measure the ability of a company to meet short-term obligations. Major liquidity ratios include the current ratio, quick ratio, cash ratio, and defensive interval ratio.

Solvency ratios measure the ability of a company to meet long-term obligations. Major solvency ratios include debt ratios (including the debt-to-assets ratio, debt-to-capital ratio, debt-to-equity ratio, and financial leverage ratio) and coverage ratios (including interest coverage and fixed charge coverage).

Profitability ratios measure the ability of a company to generate profits from revenue and assets. Major profitability ratios include return on sales ratios (including gross profit margin, operating profit margin, pretax margin, and net profit margin) and return on investment ratios (including operating ROA, ROA, return on total capital, ROE, and return on common equity).

Ratios can also be combined and evaluated as a group to better understand how they fit together and how efficiency and leverage are tied to profitability.

ROE can be analysed as the product of the net profit margin, asset turnover, and financial leverage. This decomposition is sometimes referred to as DuPont analysis.

Valuation ratios express the relation between the market value of a company or its equity (for example, price per share) and some fundamental financial metric (for example, earnings per share).Ratio analysis is useful in the selection and valuation of debt and equity securities and is a part of the credit rating process.

Ratios can also be computed for business segments to evaluate how units within a business are performing.The results of financial analysis provide valuable inputs into forecasts of future earnings and cash flow.

PROPOSED STRUCTURE

Another part of this unit is about Research Design. Research design is aplan of research. It enables us to plan the various activities of researchsuch as sampling method, data collection and analysis method, resourcesrequired etc. Research design enables us to start and end the research ontime. Delayed research may not hold any importance.

Hypothesis is another part of this unit. It refers to the assumption made by the researcher, which he/she tries to cross check after collecting the data. It can be proved to be correct or incorrect. That the researcher can confirm only after collecting data from the respondents.

1.**Simple Hypothesis**: It reflects the relationship between one dependent variable (DV) and one independent variable (IDV).

Examples:

- Higher the unemployment (IDV), higher would be the rate of crime (DV) in society
- Lower the use of fertilizers (IDV), lower would be agricultural productivity (DV).
- Higher the poverty (IDV) in the society, higher would be the rate of crimes (DV).

2. **Complex Hypothesis:** It reflects the relationship between two or more dependent variables and two or more independent variables.

Examples:

- Higher the poverty (IDV) leads to higher rate of illiteracy (DV) in the society, higher would be the rate of crime (DV).
- Lower use of fertilizer (IDV) and modern equipments (IDV), lower would be the agricultural productivity (DV)

3. **Directional Hypothesis:**A directional hypothesis is a prediction made by a researcher regarding a positive or negative change, relationship, or difference between two variables of a population. This prediction is typically based on past research, accepted theory, extensive experience, or literature on the topic. For example- "There will be a positive relationship between extra coaching and academic achievement"

4. **Non-Directional Hypothesis:** This form of hypothesis is used in studies where there is no sufficient past research available on which predication can be made about relation between variables. It does not stipulate the direction of the relationship. It is a statement that a relationship exists between two variables, without predicting the exact nature (direction) of the relationship. E.g. "Teacher – student relationship influence student's learning."

5. **Null Hypothesis:** This is a hypothesis that proposes no relationship or difference between two variables. It involves a statement that says there is no relationship between two groups that the researcher compares on a certain variable. It is denoted by "H0".

Example –

- There is no relation between poverty and crime in a society.
- 'There is no difference in the academic performance of high school students who participate in extracurricular activities and those who do not participate in such activities'

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