

A Comparative Financial Analysis of Two Companies in Nagercoil Based on Audited Financial Statement

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Abstract

This study compares the financial performance of Athen Automobiles and Laxmi Motors using their audited financial statements for a period of five years from 2020–2021 to 2024–2025. The main aim of the study is to understand and compare the financial position, profitability, liquidity, and overall performance of both companies. The study is based on secondary data collected from the auditor's office. Various financial tools such as ratio analysis, trend analysis, comparative balance sheet analysis, paired t-test, and regression analysis were used to evaluate the financial performance of the companies. The analysis shows that both companies are financially stable and capable of meeting their short-term obligations. However, Laxmi Motors performs better in profitability and return on assets, while Athen Automobiles shows gradual improvement and consistent growth over the study period. The study also explains the strengths and weaknesses of both companies in managing their financial resources, liabilities, and business operations. Comparative analysis helps in identifying the financial efficiency and stability of companies and supports better understanding of their business performance. The findings of the study are useful for management, investors, creditors, and other stakeholders in making financial and business decisions.

Keywords: Financial Analysis, Financial Performance, Ratio Analysis.

Introduction

In every business organization are to be manufacturing or service oriented, needs finance for carrying on its activities. Even if the company has sufficient money to support their activities, the success of the business depends on how will the management utilizes them and how the capital efficiently it operates out of invested capital to generate profits. Financial analysis interpreting the company's financial statement (i.e. Profit & Loss a/c, Balance sheet, Cash Flow Statement etc) to evaluating the financial operations and characteristics of a company. Financial analysis is a management

tool used by analysts, executives and investors in evaluating the comprehensive position of the company.

Financial analysis is the process of analyzing business, projects, and other finance related transactions to determine their performance. This analysis helps the companies to identify their growth potential and to make informed future decisions, and identify investment opportunities. Through the financial analysis are to determine the Ratio analysis, Trend Analysis and Common-size analysis.

This study is to perform a comparative financial analysis to Athen Automobiles and Honda Motors from Automobile Industry to examine their financial position, performance of trends, and common size analysis. By analyzing the financial ratios, trends, and structures, this study aims to provide insights into the strengths and weaknesses of both companies, helping stakeholders make informed decisions.

By aggregating the financial statements, it gives depth analysis about the liquidity position, long term solvency, financial viability and profitability of the company. Ratio analysis shows whether the company is escalating or deteriorating in the past financial years.

The analysis is based on data obtained from the auditor's office, ensuring accuracy and reliability of information. The study also highlights the importance of financial statements as a decision making tool for management, investors, and creditors and hoe effective financial management contribute to the sustainability and growth of a business.

Literature Review

G. Sukumar and Lavanya M. R (2025) this study found that Maruti Suzuki maintained better profitability and consistent growth, while Tata Motors faced fluctuations due to higher debt levels but showed improvement in recent years. The study also highlighted the importance of profitability, liquidity, and debt-equity ratios in evaluating financial performance. Pulkit Agarwal and Nikita Fartyal (2025) in this study explained that financial performance in the automobile sector is influenced by capital structure, working capital management, and market competition. The study found that Ashok Leyland showed improvement in profitability and reduction in debt levels, while Tata Motors experienced fluctuations due to higher leverage. Mahindra & Mahindra maintained stable liquidity and balanced financial performance. The study also highlighted the importance of profitability, liquidity, and solvency ratios in evaluating financial health. P. Dhanya and Pranov S (2025) in this study explained that competition, financial strategies, and operational efficiency affect the financial performance of automobile companies. The study found that Hero MotoCorp maintained strong profitability and liquidity, Bajaj Auto showed better efficiency, and TVS Motor Company faced liquidity challenges but improved gradually in profitability and efficiency. Purvi Parakh and Shivani Guru (2024) in this study explained that the company's assets and liabilities increased due to higher investments and borrowings, indicating business expansion and financial risk. The study also highlighted that ratio analysis is useful for evaluating liquidity, profitability, solvency, and financial performance over time. Maria Vijay M and K. T. Vijay Karthigeyan (2024) in this study explained that financial performance is important for measuring the success and growth of IT companies. The study found that most companies maintained strong solvency, stable profitability, and good financial performance even during the COVID-19 period. It also highlighted the importance of financial statements and ratio analysis in evaluating company performance. W. Saranya and B. Gokul (2024) in this study explained that liquidity management, profitability, and capital structure influence the financial performance of consumer goods companies. The study found that ITC Limited maintained higher liquidity and profitability, while Hindustan Unilever Limited showed comparatively lower liquidity and profitability. The study also highlighted the importance of liquidity, profitability, leverage, and efficiency ratios in evaluating financial performance.

Research Gap

The studies focused on large automobile, IT, banking, and consumer goods companies using ratio and trend analysis to evaluate financial performance. Very few studies have been conducted on regional automobile companies based on audited financial statements. There is limited research comparing the financial performance of Athen Automobiles and Laxmi Motors in Nagercoil. Therefore, the present study focuses on analyzing the liquidity, profitability, and financial performance of these two companies over a period of five years.

Research Methodology

The study is based on a comparative financial analysis of Athen Automobiles and Laxmi Motors using purposive sampling technique. Financial statements of both companies for five years from 2021 to 2025 were used for analysis. Secondary data was collected from annual reports, company websites, and financial statements. Ratio analysis and trend analysis were used as major tools to evaluate liquidity, profitability, efficiency, and overall financial performance of the companies. The study is limited to selected financial data of the two companies, and the accuracy of the findings depends on the reliability of the available data.

Objectives

1. To assess the profitability, Liquidity, and efficient of both companies.
2. To examine the financial trend of the companies over the selected study period.

Current Ratio Analysis

The current ratio measures a company’s ability to meet its short-term obligations using its current assets.

Table 1 Current Ratio

Year	Athen Automobiles	Laxmi Motors
2020-2021	3.62	2.67
2021-2022	4.80	5.42
2022-2023	6.80	4.98
2023-2024	9.85	9.88
2024-2025	7.87	16.69

Source: Annual Report

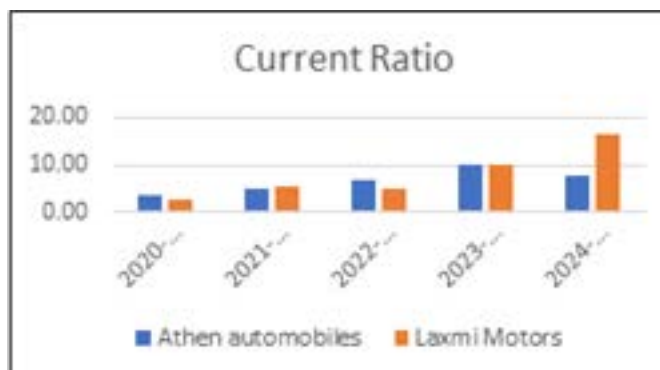


Figure A

Athen Automobiles is more stable, while Laxmi Motors shows big ups and downs and may have too much unused current assets. Even though both companies can easily pay their short-term debts, they are not using their resources efficiently.

Liquidity Ratio

Table 2 Liquidity Ratio

Year	Athen Automobiles	Laxmi Motors
2020-2021	1.44	0.36
2021-2022	1.59	1.04
2022-2023	1.98	0.82
2023-2024	2.73	1.24
2024-2025	1.50	1.38

Source: Annual Reports



Figure B

For Athen Automobiles, the liquidity ratio steadily improves from 1.44 in 2020–21 to a peak of 2.73 in 2023–24, indicating a strong ability to meet short-term obligations and increasing financial comfort. However, it declines to 1.50 in 2024–25. In the case of Laxmi Motors, it starts at a very low level of 0.36 in 2020–21, improves to 1.04 in 2021–22, but again declines in the following year. From 2023–24 onwards, it shows some improvement, reaching 1.38 in 2024–25, indicating gradual progress in managing short-term liabilities.

Gross Profit Ratio

Table 3 Gross Profit Ratio

Year	Athen Automobiles	Laxmi Motors
2020-2021	13.69	9.07
2021-2022	16.27	11.88
2022-2023	12.08	11.88
2023-2024	11.22	13.96
2024-2025	13.13	12.50

Source: Annual Report



Figure C

The gross profit ratio indicates how efficiently a company controls its production and direct costs. Athen Automobiles shows a fluctuating trend over the five years, reaching a peak of 16.27% in 2021–22 and dropping to a low of 11.22% in 2023–24, which shows inconsistency in maintaining profit levels, though it slightly improves to 13.13% in 2024–25. On the other hand, Laxmi Motors starts at a lower level but improves steadily, reaching a peak of 13.96% in 2023–24 and recording a low of 9.07% in 2020–21, indicating better consistency over time. Overall, Athen Automobiles has more fluctuations, while Laxmi Motors shows gradual and stable improvement in cost control.

Net Profit Ratio

Table 4 Net Profit Ratio

Year	Athen Automobiles	Laxmi Motors
2020-2021	0.31	0.67
2021-2022	0.40	0.98
2022-2023	0.29	0.87
2023-2024	0.62	1.23
2024-2025	0.75	1.09

Source: Annual Report



Figure D

The net profit ratio shows how much real profit a company earns from its sales after all expenses. Athen Automobiles operates at a very low profit level, with its ratio moving from around 0.3% range and dipping at one point before improving to about 0.75% in the final year, showing a slow recovery. In comparison, Laxmi Motors maintains better performance throughout, moving from around 0.6% range to above 1%, with a slight drop in between but still staying stronger overall. This clearly shows that Laxmi Motors is more efficient in turning sales into profit, while Athen Automobiles is improving but still lags behind in profitability.

Trend Analysis of Sales

Table 5

Year	Athen Automobiles %	Laxmi Motors %
2020-2021	100	100
2021-2022	94	74
2022-2023	97	85
2023-2024	113	85
2024-2025	110	95

Source: Calculated Data



Figure E

The trend analysis of sales, taking 2020–21 as the base year (100%), shows that Athen Automobiles performs better overall, as its sales move from about 94% to a strong 113%, clearly going above the base level and indicating growth despite some fluctuations. In contrast, Laxmi Motors shows weaker performance, with sales dropping to around 74% and only recovering up to about 95%, still remaining below the base year. This shows that Athen Automobiles manages to improve its sales more effectively, while Laxmi Motors struggles to reach its earlier level.

Trend Analysis of Net Profit

Table 6

Year	Athen Automobiles %	Laxmi Motors %
2020-2021	100	100
2021-2022	121	108
2022-2023	90	110
2023-2024	226	156
2024-2025	268	155

Source: Annual Report

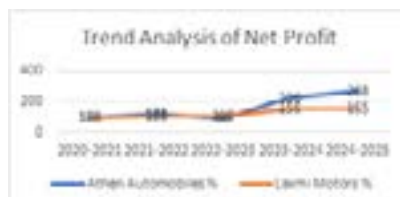


Figure F

It shows that Athen Automobiles has a highly fluctuating but strongly rising pattern, moving from about 121% down to 90% and then increasing sharply to around 268%, indicating a major improvement in profitability in the later years. In contrast, Laxmi Motors shows a more steady pattern, gradually increasing from around 108% to about 156%, with only a slight dip at the end, showing consistent growth. Overall, both companies improve their net profit, but Athen Automobiles shows a more aggressive rise, while Laxmi Motors maintains a more stable and controlled growth.

Finding of the Study

- The current ratio of Athen Automobiles increased from 3.62 ratio in 2020–2021 to 9.85 ratio in 2023–2024 and declined to 7.87 ratio in 2024–2025. Laxmi Motors increased from 2.67 ratio to 16.69 ratio during the study period, showing excess current assets.
- The liquidity ratio of Athen Automobiles improved from 1.44 ratio in 2020–2021 to 2.73 ratio in 2023–2024 and declined to 1.50 ratio in 2024–2025. Laxmi Motors improved from 0.36 ratio to 1.38 ratio.
- Athen Automobiles recorded the highest gross profit ratio of 16.27 percent in 2021–2022 and the lowest of 11.22 percent in 2023–2024. Laxmi Motors improved from 9.07 percent to 13.96 percent.
- The net profit ratio of Athen Automobiles increased from 0.31 percent in 2020–2021 to 0.75 percent in 2024–2025. Laxmi Motors improved from 0.67 percent to 1.09 percent.
- The sales trend of Athen Automobiles increased from 94 percent in 2021–2022 to 113 percent in 2023–2024 and ended at 110 percent in 2024–2025. Laxmi Motors declined to 74 percent and recovered to 95 percent.
- The net profit trend of Athen Automobiles increased from 90 percent in 2022–2023 to 268 percent in 2024–2025. Laxmi Motors showed steady growth from 108 percent to 155 percent.

Suggestion of the Study

- Athen Automobiles should improve its cost control and production efficiency to reduce fluctuations in gross profit ratio, which varied between 11.22 percent and 16.27 percent during the study period.
- Laxmi Motors should utilize its current assets more effectively, as the current ratio increased to 16.69 ratio in 2024–2025, indicating excess idle current assets and inefficient working capital management.
- Both companies should maintain an optimum liquidity position instead of holding excessive liquid assets, as very high liquidity may reduce profitability and efficient use of funds.
- Athen Automobiles should focus on increasing net profit by reducing operating expenses, improving sales performance, and strengthening operational efficiency, since the net profit ratio remained low despite improvement.
- Laxmi Motors should adopt better sales and marketing strategies to improve its sales trend, which declined below the base year level and recovered only to 95 percent in 2024–2025.
- Both companies should focus on maintaining stable profit growth through proper financial planning, effective cost management, and efficient utilization of available resources.
- Athen Automobiles should aim to maintain consistency in financial performance, as the company showed sharp fluctuations in sales and net profit trends during the study period.
- Laxmi Motors should continue maintaining stable profitability and improve long-term growth by strengthening operational performance and controlling unnecessary expenses.

Conclusion

The comparative financial analysis of Athen Automobiles and Laxmi Motors from 2020–2021 to 2024–2025 shows that both companies maintain good liquidity positions and are capable of meeting short-term obligations. Athen Automobiles showed better growth in sales and net profit trend, with the net profit trend increasing to 268 percent in 2024–2025. However, the company experienced fluctuations in profitability and cost control during the study period. Laxmi Motors showed better stability in profitability and financial performance. The company maintained higher net profit ratios and improved its gross profit ratio from 9.07 percent to 13.96 percent. Its sales performance remained weaker compared to Athen Automobiles. Athen Automobiles performs better in growth and expansion, while Laxmi Motors performs better in financial stability and profitability management. Both companies should focus on effective cost control, efficient utilization of resources, and proper financial planning for future growth and sustainability.

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