ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

A Study On Fnancial Performance Analysis Of Selected Automobile Companies In India

R.Angeline babina[1]
Research scholar
Rathnavel Subramaniam College of Arts& Science (Autonomous)
Sulur
Coimbatore-641402, Tamilnadu.

Dr.R.Karpagavalli[2]
Head&Associate professor
Rathnavel Subramaniam College of Arts & Science(Autonomous)
Sulur
Coimbatore -641402, Tamilnadu.

ABSTRACT

The mobilization of Indian economy cannot be done with the appraisal of Automobile companies based on its profitability performances. A study of profitability analysis is very much important to the present globalized economic environment. To analyze financial performance helps the firms to grow their earning capacity and changes the retained earning process by modifying various revenue ratios Some of the recent major government initiatives such as development of 98 smart cities are expected to provide a major boost to the sector. A significant factor which aids the growth of this sector is the ready availability of the raw materials for making automobile, such as limestone and coal. The main aim of this study was to analyze and understand the impact of profitability, liquidity and solvency position of the selected Automobile companies in India. First rate quality control and study performance are considered to be the vital factors for the better functioning of the industries. But these factors are not the any yardstick in determining the success of the industries. Only, when the management of these firms and their success will stride to the highest level of targeted success in short period. Under this circumstance the present management strategies are all reviewed to support country's economic development by way of more productions and growing the consumptions of Automobile and its spares. Based on the studies done on all the major automobile companies they have to take all the efforts needed to stabilize their profitability.

Keywords: Financial performance, Automobile industry and Liquidity.

INTRODUCTION

India is the second largest producer of Automobile in the world. No wonder, India's Automobile industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. Ever since it was deregulated in 1982, the Indian Automobile industry has attracted huge investments, both from Indian as well as foreign investors. India has a lot of potential for development in the infrastructure and construction sector and the

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

Automobile sector is expected to largely benefit from it. Some of the recent major government initiatives such as development of 98 smart cities are expected to provide a major boost to the sector. Such developments in the country and aided by suitable government foreign policies, several foreign players such as Lafarge-Holmic, Heidelberg Automobile, and Vicar have invested in the country in the recent past. A significant factor which aids the growth of this sector is the ready availability of the raw materials for making Automobile, such as limestone and coal.

IMPORTANCE OF THE STUDY

This study aims at making an analysis of liquidity and also the solvency assessment of the selected Automobile industries in India.

The listed companies engaged in Automobile business have been considered for the study. Automobile industries is one of the core industries which plays a vital role in the development of a nation.

The industry occupied an important place in the Indian economy because of its strong linkage's to other sectors such as construction, transportation, coal and power.

The role of Automobile industries in India's GDP is significant in the economic development of the country. Being the Automobile industry in India is one of the oldest sectors in India it give importance to knowing the profitability of the selected Automobile companies in India.

STATEMENT OF THE PROBLEM

According to the CMIE (Centre for Monitoring Indian Economy), the Automobile industry has a significant presence in the economic life of India. It plays a pivotal role through its contribution to industrial output, employment generation and export earnings of the country. The Indian Automobile industry is extremely varied with major sectors such as the two & three wheelers, Passenger cars, Commercial vehicles (Heavy CVs/ Medium CVs/Light CVs), Utility vehicles (UVs) and Tractors.

Even though many studies have been conducted to know the financial performance, the present one will be of great significance to many. It will be helpful in understanding the pattern and the structure of the financial variables of leading companies apart from identifying the financial relationship of companies with their respective Industry. The change in the economic policy of the government certainly has got an impact on the performance of corporate units in India. A need at the present juncture is therefore felt to study the impact of such changes on the performance of corporate sector and hence the research problem has to be focused on "Financial Performance of the Indian Automobile Industry". 2012Hence, an attempt has been made to study the financial performance of selected Automobile industry in India by using financial statements. It is imperative to study the financial performance of this sector so as to guide the future policy makers to decide whether to continue, increase, or reduce or to drop the importance and assistance given to this sector.

OBJECTIVES OF THE STUDY

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

1. To analyze the solvency, liquidity, profitability position of the selected Auto mobile companies in India.

2. To examine the growth and trend of selected financial variables of Indian Automobile Industry.

3. To assess the financial parameters which determine the return on total assets of the financial variables of Indian Automobile Industry?

RESEARCH METHODOLOGY

Research design

The design of the study is analytical. It is the procedure of condition and analysis of data in a manner that aims to combine reference to the research purpose. It is the conceptual structure within which the research is conducted**.**

Data collection

The data collected from centre for monitoring Indian economy. Secondary data used in this study. The other relevant data were collected from Journals, Magazines, Websites and Dailies.

Period of the study

The period for this study covered ten years from 2009 to 2019 and the essential data for this period have been collected. The financial year starts from 1st April to 31st March every year.

Sampling design

The companies under automobile industry are classified into four sectors namely; Commercial Vehicles, Passenger Cars, Scooters and Three Wheelers and Motorcycles and Mopeds.

The study is based on purposive sampling method, making a study of sixteen companies in Indian automobile industry. It accounts for 33.33 per cent of the total companies available in the Indian automobile industry. The list of companies included in the present study is presented in below, Tata Motors Ltd, Mahindra & Mahindra Ltd and Maruti Suzuki India Ltd.

Statistical analysis: In order to identify the prominent factors responsible for the profitability of Automobile industries and also to measure the extent of influence of the independent variables on the dependent variable, the following tools were applied by the researcher:

1. Descriptive Statistics

i. Mean

ii. Standard Deviation and

iii. Co-efficient of Variation

2. Analysis of Variance

LIMITATIONS OF THE STUDY

Some of the unavoidable limitations of the present work are as follows:

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

1. Financial information collected for the present study is entirely secondary in nature. In such a case, the study carries all the limitations inherent with the secondary data and financial information.

2. The study is restricted to 10 companies out of 48 companies operating in the Indian Automobile Industry.

3. While computing the data for the purpose of analysis, the approximation of decimal places leads to minor variations in ratios as well as percentage analysis and hence these are bound to exist in the present study.

4. Various accounting and statistical tools extensively used for the present study have their own incidental limitations.

ANALYSIS AND INTERPRETATION

BASIC EPS

Year	TATA	MAHINDRA	MARUTHISUZKI	HEROMOTOR	BAJAJ	TVS
Mean	4.55	46	144.12	134.31	110.52	7.84
SD	15.1	11.68	79.46	32.08	27.09	4.35
Variance	228.08	136.44	6313.14	1029.31	733.98	18.96
Range	53.98	32.98	199.02	84.61	95.36	11.67

The EPS(earnings per share)of the sample automobile companies was shown in the table. the mean value was highest in Marathi Suzuki i.e., 144.12 followed by hero motor i.e., 134.31. Earnings per share ratio of all the selected companies reflected that they were positively in most of the years. It could be concluded that earnings per share ratio was Maruthi Suzuki, Hero motor Bajaj was satisfactory, rest of the companies was not satisfied.

The range of EPS ratio which worked out as 199.02 of Maruthi Suzkui Ltd., showed the highest among the selected automobile companies in India for the present study. The variance showed that the earnings ratio of TVS automobile companies was more consistent 18.96 than other companies and its was followed by Mahindra (136.44), Tata motors (228.08), Hero motor corporation (1029.31) and so on.

CASH EPS

	TATA	MAHINDRA	MARUTHISUZKI	HEROMOTOR	BAJAJ	TVS
Mean	123.054	62.402	212.78	146.858	118.605	10.034
Std. Deviation	103.8064	15.59917	102.32814	59.57214	27.81407	6.32364
Variance	10775.769	243.334	10471.048	3548.84	773.623	39.988
Range	267.35	45.55	252.36	212.97	97.25	21.08

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

The cash EPS (earnings per share) of the sample automobile companies was shown in the table. The mean value was the highest in Maruthi Suzuki i.e., 212.78, followed by heromotor i.e., 146.858. Cash Earnings per share ratio of all the selected companies reflected that they were positively in most of the years. It could be concluded that cash earnings per share ratio was Maruthi Suzuki, Hero motor, Bajaj was satisfactory, rest of the companies was not satisfied.

The range of cash earnings per share ratio which worked out as 267.35 of Tata motors Ltd., showed the highest among the selected automobile companies in India for the present study. The variance showed that the earnings ratio of TVS automobile companies was more consistent 39.98 than other companies and its was followed by Mahindra (243.33), Bajaj (773.62), Hero motor corporation (3548) and so on.

Revenue from Operations/Share (Rs.)

	TATA	MAHINDRA	MARUTHISUZKI	HEROMOTOR	BAJAJ	TVS
Mean	29.1900	561.8080	1770.5470	1125.5660	719.6060	180.2500
Std. Deviation	32.02244	149.35088	624.62089	461.50518	93.18442	85.32427
Variance	1025.437	22305.686	390151.262	212987.032	8683.335	7280.232
Range	87.55	414.92	1833.90	1613.95	302.96	318.45

The Revenue from Operations/Share (Rs.) of the sample automoile companies was shown in the table. The mean value was the highest in maruti suzuki i.e., 1770.54, followed by heromotor i.e., 1125.56. Revenue from Operations/Share (Rs.)ratio of all the selected companies reflected that they were postively in most of the years. It could be concluded that Revenue from Operations/Share (Rs.) ratio was Maruthi Suzuki, Hero motor, Bajaj was satisfactory, rest of the companies was not satisfied.

The range of Revenue from Operations/Share (Rs.)ratio which worked out as 1833.90 of Maruthi Suzuki Ltd., showed the highest among the selected automobile companies in India for the present study. The variance showed that the Revenue from Operations/Share (Rs.) of TVS automobile companies was more consistent 39.98 than other companies and its was followed by Tata Motors (1025.43), TVS (7280.23), Bajaj (8683.33) and so on.

CORRELATION ANALYSIS BETWEEN SELCTED VARIABLES WITH NET PROFIT/SHARE (RS.) TATA MOTORS

Dependent Variable: NET PROFIT/SHARE (RS.)

VARIABLE	R VALUE	P.VALUE
Basic EPS (Rs.)	0.906	0.000
Diluted EPS (Rs.)	0.990	0.000
Cash EPS (Rs.)	0.917	0.000
Book Value [ExclRevalReserve]/Share (Rs.)	0.917	0.000
Book Value [InclRevalReserve]/Share (Rs.)	0.900	0.000
Dividend / Share(Rs.)	0.922	0.000
Revenue from Operations/Share (Rs.)	0.971	0.000
PBDIT/Share (Rs.)	0.981	0.000

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

PBIT/Share (Rs.)	0.990	0.000
PBT/Share (Rs.)	0.999	0.000

The table presents, the correlation coefficient matrices of the selected variables with the dependent variable, i.e., Net profit/Share (Rs.)selected company for the period from 2008-09 to 2017-18. Tata motors Ltd., it can be seen from the table, Basic EPS (Rs.),Diluted EPS (Rs.),Cash EPS (Rs.),Book Value [ExclRevalReserve]/Share (Rs.),Book Value [InclRevalReserve]/Share (Rs.), Dividend / Share(Rs.),Revenue from Operations/Share (Rs.),PBDIT/Share (Rs.), PBIT/Share (Rs.) and PBT/Share (Rs.) Have significant positive correlationwith company Net profit /share (Rs.) and the coefficients are .906,0.990,0.917,0.917,0.900,0.922,0.971,0.981,0.990 and 0.999 respectively.

MAHINDRA AND MAHINDRA LTD

Dependent Variable: NET PROFIT/SHARE (RS.)

VARIABLE	R VALUE	P.VALUE
Basic EPS (Rs.)	0.968	.000
Diluted EPS (Rs.)	0.967	.000
Cash EPS (Rs.)	0.917	.000
Book Value [ExclRevalReserve]/Share (Rs.)	0.826	.000
Book Value [InclRevalReserve]/Share (Rs.)	0.765	.000
Dividend / Share(Rs.)	0.667	.000
Revenue from Operations/Share (Rs.)	0.793	.000
PBDIT/Share (Rs.)	0.898	.000
PBIT/Share (Rs.)	0.898	.000
PBT/Share (Rs.)	0.799	0.000

The table presents, the correlation coefficient matrices of the selected variables with the dependent variable, i.e., Net profit/Share (Rs.) selected company for the period from 2008-09 to 2017-18. Mahindra and Mahindra Ltd., it can be seen from the table, Basic EPS (Rs.),Diluted EPS (Rs.),Cash EPS (Rs.),Book Value [ExclRevalReserve]/Share (Rs.),Book Value [InclRevalReserve]/Share (Rs.), Dividend / Share(Rs.),Revenue from Operations/Share (Rs.),PBDIT/Share (Rs.), PBIT/Share (Rs.) and PBT/Share (Rs.) Have significant positive correlation with company Net profit /share (Rs.) and the coefficients are 0.968,0.967, 0.917,0.826, 0.765, 0.667, 0.793, 0.898,0.898 AND 0.799 respectively.

MARUTHI SUZUKI LTD

DEPENDENT VARIAB LE: NET PROFIT/SHARE (RS.)

VARIABLE	R VALUE	P.VALUE
Basic EPS (Rs.)	0.698	.000
Diluted EPS (Rs.)	0.967	.000
Cash EPS (Rs.)	0.917	.000
Book Value [ExclRevalReserve]/Share (Rs.)	0.826	.000

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

Book Value [InclRevalReserve]/Share (Rs.)	0.765	.000
Dividend / Share(Rs.)	0.667	.001
Revenue from Operations/Share (Rs.)	0.793	.000
PBDIT/Share (Rs.)	0.898	.000
PBIT/Share (Rs.)	0.898	.000
PBT/Share (Rs.)	0.799	.000

The table presents, the correlation coefficient matrices of the selected variables with the dependent variable, i.e., Net profit/Share (Rs.) selected company for the period from 2008-09 to 2017-18. Maruthi Suzuki Ltd.,., it can be seen from the table, Basic EPS (Rs.),Diluted EPS (Rs.),Cash EPS (Rs.),Book Value [ExclRevalReserve]/Share (Rs.),Book Value [InclRevalReserve]/Share (Rs.), Dividend / Share(Rs.),Revenue from Operations/Share (Rs.),PBDIT/Share (Rs.), PBIT/Share (Rs.) and PBT/Share (Rs.) Have significant positive correlation with company Net profit /share (Rs.) and the coefficients are .968,0.967, 0.917,0.826, 0.765, 0.667, 0.793, 0.898,0.898 AND 0.799 respectively.

HERO MOTOR CORPORATION

DEPENDENT VARIABLE: NET PROFIT/SHARE (RS.)

VARIABLE	R VALUE	P.VALUE
Net Profit/Share (Rs.)		
Basic EPS (Rs.)	.821	.000
Diluted EPS (Rs.)	.721	.000
Cash EPS (Rs.)	.893	.000
Book Value [ExclRevalReserve]/Share (Rs.)	.877	.000
Book Value [InclRevalReserve]/Share (Rs.)	.977	.000
Dividend / Share(Rs.)	.892	.000
Revenue from Operations/Share (Rs.)	.790	.000
PBDIT/Share (Rs.)	.997	.000
PBIT/Share (Rs.)	.968	.000
PBT/Share (Rs.)	.798	.000

Source: CMIE

The table presents, the correlation coefficient matrices of the selected variables with the dependent variable, i.e., Net profit/Share (Rs.) selected company for the period from 2008-09 to 2017-18. Hero motor corporation., it can be seen from the table, Basic EPS (Rs.),Diluted EPS (Rs.),Cash EPS (Rs.),Book Value [ExclRevalReserve]/Share (Rs.),Book Value [InclRevalReserve]/Share (Rs.), Dividend / Share(Rs.),Revenue from Operations/Share (Rs.),PBDIT/Share (Rs.), PBIT/Share (Rs.) and PBT/Share (Rs.) Have significant positive correlationwith company Net profit /share (Rs.) and the coefficients are .0.821,0.721,0.893,0.877,0.977,0.892,0.790,0.997,0.968 and 0.798 respectively.

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

BAJAJ AUTO LTD
DEPENDENT VARIABLE: NET PROFIT/SHARE (RS.)

VARIABLE	R VALUE	P.VALUE
Basic EPS (Rs.)	0.589	.000
Diluted EPS (Rs.)	0.698	.000
Cash EPS (Rs.)	0.598	.000
Book Value [ExclRevalReserve]/Share (Rs.)	0.841	.000
Book Value [InclRevalReserve]/Share (Rs.)	0.541	.000
Dividend / Share(Rs.)	0.894	.000
Revenue from Operations/Share (Rs.)	0.584	.000
PBDIT/Share (Rs.)	.0796	.000
PBIT/Share (Rs.)	0.697	.000
PBT/Share (Rs.)	0.874	.000

The table presents, the correlation coefficient matrices of the selected variables with the dependent variable, i.e., Net profit/Share (Rs.)selected company for the period from 2008-09 to 2017-18. Bajaj Auto Ltd., it can be seen from the table, Basic EPS (Rs.), Diluted EPS (Rs.),Cash EPS (Rs.),Book Value [ExclRevalReserve]/Share (Rs.),Book Value [InclRevalReserve]/Share (Rs.), Dividend / Share(Rs.),Revenue from Operations/Share (Rs.),PBDIT/Share (Rs.), PBIT/Share (Rs.) and PBT/Share (Rs.) Have significant positive correlationwith company Net profit /share (Rs.) and the coefficients are .0.589,0.698,0.598,0.841,0.541,0.894,0.584, 796,0.697 and 0.874 respectively.

TVS MOTORS LTD
DEPENDENT VARIABLE: NET PROFIT/SHARE (RS.)

VARIABLE	R VALUE	P.VALUE
Basic EPS (Rs.)	.564	.001
Diluted EPS (Rs.)	.465	.088
Cash EPS (Rs.)	.897	.000
Book Value [ExclRevalReserve]/Share (Rs.)	.564	.000
Book Value [InclRevalReserve]/Share (Rs.)	.774	.000
Dividend / Share(Rs.)	.891	.000
Revenue from Operations/Share (Rs.)	.572	.000

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

PBDIT/Share (Rs.)	.692	.000
PBIT/Share (Rs.)	.795	.000
PBT/Share (Rs.)	.998	.000

The table presents, the correlation coefficient matrices of the selected variables with the dependent variable, i.e., Net profit/Share (Rs.)selected company for the period from 2008-09 to 2017-18. TVS Motors Ltd., it can be seen from the table, Basic EPS (Rs.), Diluted EPS (Rs.),Cash EPS (Rs.),Book Value [ExclRevalReserve]/Share (Rs.),Book Value [InclRevalReserve]/Share (Rs.), Dividend / Share(Rs.),Revenue from Operations/Share (Rs.),PBDIT/Share (Rs.), PBIT/Share (Rs.) and PBT/Share (Rs.) Have significant positive correlationwith company Net profit /share (Rs.) and the coefficients are .0.564,0.465,0.897,0.564,0.774,0.891,0.572, 692,0.795 and 0.998 respectively.

FINDINGS

DESCRIPTIVE STATISTICS

BASIC EPS

It is found that, the mean value was highest in maruthi suzuki i.e., 144.12 followed by hero motori.e., 134.31. Earnings per share ratio of all the selected companies reflected that they were postively in most of the years. The range of EPS ratio which worked out as 199.02 of Maruthi Suzkui Ltd., showed the highest among the selected automobile companies in India for the present study. The variance showed that the earnings ratio of TVS automobile companies was more consistent 18.96 than other companies and its was followed by Mahindra (136.44), Tata motors (228.08), Hero motor corporation (1029.31) and so on.

CASH EPS

The study reveals that, the mean value was the highest in maruti suzuki i.e., 212.78, followed by heromotor i.e., 146.858. Cash Earnings per share ratio of all the selected companies reflected that they were postively in most of the years. The range of cash earning per share ratio which worked out as 267.35 of Tata motors Ltd., showed the highest among the selected automobile companies in India for the present study. The variance showed that the earnings ratio of TVS automobile companies was more consistent 39.98 than other companies and its was followed by Mahindra (243.33), Bajaj (773.62), Hero motor corporation (3548) and so on.

Revenue from Operations/Share (Rs.)

The study shows that, The mean value was the highest in maruti suzuki i.e., 1770.54, followed by heromotor i.e., 1125.56. Revenue from Operations/Share (Rs.)ratio of all the selected companies reflected that they were postively in most of the years. The range of Revenue from Operations/Share (Rs.)ratio which worked out as 1833.90 of Maruthi Suzuki Ltd., showed the highest among the selected automobile companies in India for the present study. The variance showed that the Revenue from Operations/Share (Rs.) of TVS automobile companies was more consistent 39.98 than other companies and its was followed by Tata Motors (1025.43), TVS (7280.23), Bajaj (8683.33) and so on.

ISSN:0971-1260

Vol-22-Issue-4-October-December-2019

SUGGESTIONS

In view of the analysis drawn from the study, the following suggestions are made.

- All selected automobile company is low in its current ratio, So necessary steps should be taken to improve the current ratio by this management.
- While analyzing the quick ratio, the performance of the all selected automobile companies is not well. The company should increase the liquidity position to improve liquidity.
- In Cash to current liabilities of the selected automobile companies, to increase the cash position, the study units should implement proper policy to maintain short-term solvency.
- The government should contribute additional capital for expansion and modernization. All the companies (selected automobile companies) should adopt the appropriate policy to improve the proprietary ratio.

CONCLUSION

First rate quality control and study performance are considered to be the vital factors for the better functioning of the industries. But these factors are not any yardstick in determining the success of the industries. Only, when the management of these firms and their success will stride to the highest level of targeted success in short period. Under this circumstance the present management strategies are all reviewed to support country's economic development by way of more productions and growing the consumptions of Automobile and its spares.

REFERENCES

Tapan Kumar Datta and Karabi Paul (2001).An inventory system with stock-dependent, price-sensitive demand rate. Production planning and control,12(1),13-20.

Jayant Sathaye (2005) Assessment of Energy Use and Energy Savings Potential in Selected Industrial Sectors in India U.S. Environmental Protection Agency through the U.S. Department of Energy.

Alovsat Muslumov (2005), The financial and operating performance of privatized companies in the Turkish Automobile industry, METU Studies in Development, 32 PP 59-62.

B. Manjula Devi. (2015). A study on financial performance of Automobile industries in Tamilnadu with reference to select Automobile companies. , ISSN: 2249-9563 Vol. 5, No.1, PP 12-19.

Raikar, A. V. (2018). Performance analysis of selected Automobile companies in India using dea malmquist productivity approach. ZENITH International Journal of Multidisciplinary Research, 8(7), 343-353.