

Indian Automobile Industry: A Study on the Financial Performance of selected Automobile Manufacturers

Dr. Quazi Md. Kamran

Faculty, Univ. Dept. of Commerce & Bus. Adm., T.M. Bhagalpur University, Bhagalpur, Bihar-812007

ARTICLE DETAILS

Article History

Published Online: 17 August 2020

Keywords

Economic System, Automobile Industry, Restructuring, Performance, CAGR

Corresponding Author

Email: [kamran.tmbu\[at\]gmail.com](mailto:kamran.tmbu[at]gmail.com)

ABSTRACT

The automobile sector is the dominant participant not in India but a major contributor in the economic system of the world also. Due to its ahead and backward linkages with quite a few key segments of the economy, the enterprise has a sturdy multiplier impact on industrial growth. Over the years, the auto sector has been evolving and assembling up with challenges such as diverse as transitions, consolidations and restructuring and thereby adapting to the new market environment.

The automobile sector in India grew to be the fourth greatest in the world with income growing 9.5 per cent year-on-year to 4.02 million devices in 2017. Overall vehicle exports from India grew at 6.86 per cent CAGR between FY13-18. The existing paper measures the economic overall performance of essential chosen vehicle groups for the duration of 5 years from 2013-2017 by using the usage of ratio analysis.

The aim of this paper is to consider and evaluate the economic overall performance of chosen three agencies to fee their economic performances. The intention of this paper is to analyse by means of evaluating the threat of distinctive companies, on their strengths and weaknesses.

1. Introduction

The Indian auto sector has been recording awesome increase over the years and has emerged as a primary contributor to India's Gross Domestic Product. The enterprise presently money owed for almost 7 per cent of the country's GDP and employs about 19 million humans each immediately and indirectly. According to the Automotive Mission Plan 2006–2016, with Government's backing and extraordinary focal point on exports, the car sector's contribution to the GDP is predicted to attain in double figures up to 2016. It is vital to comprehend that how this developing zone is affecting the monetary overall performance of groups below this sector. The existing learn about takes two foremost corporations of Indian beginning and compares their monetary electricity in this developing sector.

The auto sector enables the enhancement in a variety of infrastructures like power, rail and street transport. Due to its deep ahead and backward linkages with quite a few key segments of the economy, the vehicle enterprise is having a robust multiplier impacted the development of the nation and subsequently is successful of being the driver of financial growth. It performs a foremost catalytic position in growing transport region in one hand and assist industrial area on the different to develop quicker and thereby generate an extensive employment opportunities.

In India, car is one of the biggest industries displaying astonishing boom over the years and has been extensively making growing contribution to ordinary industrial improvement in the country. The norms for overseas funding and import of technological know-how have additionally been liberalized over the years for manufacture of vehicles. At present, one hundred percent overseas direct funding is permissible below the computerized route in this sector, which includes passenger automobile segment.

The essential reason of analysing the corporations financially is to investigate the overall performance of the companies below study, on a wide variety of factors such as their resources, capability to earn earnings or honest return on their investment, potential to meet their obligations, price of assets, extent and nature of their liabilities etc. The vehicle quarter these days is one of the key sectors of the nation contributing majorly to the financial system of India. It at once and not directly presents employment to over 1.5 million humans in the country.

1.1 Indian Automobile Industry History

The first vehicle in India rolled in 1897 in Bombay. India is being diagnosed as doable rising auto market. Foreign gamers are including to their investments in Indian car industry. Because, in Indian market bikes make contributions 75% of the section size. Unlike the USA, the passenger automobile market is dominated with the aid of vehicles 79 %. Among Automobile industries Tata Motors dominates over 60% of the Indian business automobile market.

Further India is the Largest three wheeler market in the world, Second greatest two wheeler market in the world Seventh biggest passenger automobile market in Asia & tenth Largest in the world ,Fourth biggest tractor market in the world and fifth function in business vehicle, bus & truck market in the world. Since it is nicely confirmed India it is largest market in car enterprise as nicely as largest competitor amongst the world vehicle manufactures

2. Review of literature

Ravichandran, M. & Subramanium (2018) the important thinking at the back of this find out about is to evaluation of viability, balance and profitability of Force motors limited. This find out about finds that enterprise has acquired

adequate cash to meet its money owed & liabilities. Company can similarly enhance economic overall performance through lowering the administrative, promoting & running expenses.

Mathur, Shivam and Aggarwal, Krati (2016), the fundamental thinking this find out about is measure running function of the enterprise by means of the usage of a range of monetary equipment such as profitability ratio, solvency ratio, comparative announcement & graphs etc. This find out about finds that employer has received ample cash to meet its money owed & liabilities.

Surekha B. & Krishnah K.Rama (2015), this learn about exhibits the prosperity of Tata motors company. It can be concluded that internal electricity of employer is remarkable. Company can in addition enhance its profitability via most advantageous capital gearing, discount in administration and monetary charges for the boom of company.

Narayanan K. (1997) has tried to analyse the results of de-regulation coverage delivered in India at some stage in eighties on science acquisition and competitiveness in the Indian car industry. Following evolutionary theoretical framework, the find out about argues that asymmetry amongst corporations in phrases of science acquisition give an explanation for lots of the company stage variations in competitiveness. This is performed efficiently with the aid of complementing imported science with in-house technological efforts. Competitiveness in a deregulated regime would, however, rely upon the capability of the company to carry about technological paradigm

Sheela Christina (2017) carried out the find out about on Financial Performance of Wheels India Limited-Chennai. The study offers with Analytical kind of lookup layout with the assist of secondary statistics series method. Thus the organization can take crucial steps to enhance income and profit. Finally, the find out about displays that the monetary overall performance is satisfactory.

Pradhan, Singh (2008). This learn about examines these troubles for the Indian automobile enterprise that is presently trans-nationalizing at a speedy price in phrases of each exports and FDI. The find out about traces the technological functionality constructing and numerous dimensions of FDI in this industry. The case research of two fundamental automobile organizations spotlight their competence constructing and information in search of operations.

Ray (2012), this find out about tries to consider the overall performance of Indian vehicle enterprise in phrases of a variety of monetary indicators, income trend, manufacturing trend, export style etc. The key to success in the enterprise is to enhance labour productivity and capital efficiency.

3. Research Objectives

- To understand the growth of auto companies in India
- To examine the financial performance of Indian automobile companies
- To recommend measures in order to improve the performance of the automobile companies

4. Research Methodology

The proposed find out about is completely based totally on secondary data. The statistics has been compiled from Annual Reports of the respective companies, Text Books, Reference Books, Journals, Articles, Magazines and from the Internet. The vital facts has been accumulated from cash control.com, fairness grasp and Society of Indian Automobile Manufactures.

5. Data Analysis & Interpretation

Table 5.1 highlights that the current ratio of Hero Motocorp in 2013 used to be 1.2, in 2014 was once 1.3 and in 2017 used to be 1.8 comply with the Bajaj Auto in 2013 used to be 1.5 in 2014 was once 1.2 and 2017 was once 2.9 and TVS Motor in 2013 used to be 0.9 in 2014 used to be 0.9 and 2017 was once 0.8.

Table 5.1 Statistics related to Liquidity Performance (Between the years 2013 to 2017)

Year/ Company	Current Ratio of selected automobile industry			Quick Ratio of selected automobile industry		
	Hero Motocorp	Bajaj Auto	TVS Motor	Hero Motocorp	Bajaj Auto	TVS Motor
2013	1.2	1.5	0.9	1.06	1.32	0.48
2014	1.3	1.2	0.9	1.10	1.05	0.52
2015	1.6	3.7	0.9	1.13	1.95	0.47
2016	1.8	1.7	0.8	1.27	1.32	0.45
2017	1.8	2.9	0.8	1.64	2.72	0.39
Mean	1.54	2.2	0.86	1.24	1.67	0.46
Median	1.6	1.7	0.9	1.13	1.32	0.47
S.D	0.27	1.05	0.05	0.23	0.67	0.04
CV	18.13	48.10	6.36	19.00	40.03	9.98
Skewness	-0.340	0.791	-0.609	1.68	1.14	-0.067

Source: www.moneycontrol.com

It can be interpreted that contemporary ratio of Hero Motocorp motors, Bajaj Auto is consistently rising and TVS Motor is consistently declining.

Table 5.1 highlights that the quick ratio of Hero Motocorp in 2013 was 1.06, in 2014 was 1.10 and in 2017 was 1.64

comply with the Bajaj Auto in 2013 was once 1.32 in 2014 used to be 1.05 and 2017 was once 2.72 and TVS Motor in 2013 was once 0.48 in 2014 was once 0.52 and 2017 used to be 0.39. It can be interpreted that speedy ratio of Hero Motocorp motors, Bajaj Auto and TVS Motor is consistently declining.

Table 5.2 Statistics related to Solvency Performance (Between the years 2013 to 2017)

Year/ Company	Interest Coverage Ratio of Selected Automobile Companies			Proprietary Ratio of Selected Automobile Companies			Sales to Total Assets Ratio of Selected Automobile Companies		
	Hero Motocorp	Bajaj Auto	TVS Moto r	Hero Motocor p	Baja j Auto	TVS Moto r	Hero Motocor p	Bajaj Auto	TVS Moto r
2013	2.13	3.59	2.8	0.51	0.63	0.25	2.5	1.6	2.2
2014	2.43	5.67	4.6	0.55	0.66	0.03	2.5	1.3	2.3
2015	2.82	6.82	7.2	0.61	0.69	0.27	2.5	1.3	2.1
2016	2.98	5.41	9.2	0.62	0.79	0.31	2.2	1.3	2.2
2017	1.68	3.99	12	0.67	0.82	0.35	1.9	1	2
Mean	2.41	5.10	7.16	0.59	0.72	0.24	2.32	1.3	2.16
Median	2.43	5.41	7.2	0.61	0.69	0.27	2.5	1.3	2.2
S.D	0.52	1.31	3.64	0.06	0.08	0.12	0.268	0.212	0.114
CV	21.82	25.75	50.91	10.19	11.42	51.16	11.566	16.31 8	5.279
Skewness	-0.42	0.10	0.19	-0.18	0.41	-1.73	-1.258	0.000	-0.405

Source: www.moneycontrol.com

In the table 5.2 Interest Coverage Ratio of Hero Motocorp in 2013 was once 2.13, in 2014 used to be 2.43 and in 2017 was once 1.68 comply with the Bajaj Auto in 2013 was 3.59 in 2014 used to be 5.67 and 2017 used to be 3.99 and TVS Motor in 2013 used to be 0.51 in 2014 was once 0.55 and 2017 was once 12. It can be interpreted that Interest Coverage Ratio of TVS Motor Hero consistently rising and Motocorp motors, Bajaj Auto is continually declining.

In the above desk Proprietary Ratio of Hero Motocorp in 2013 was once 0.51, in 2014 was once 0.55 and in 2017 used to be 0.67 observe the Bajaj Auto in 2013 used to be 0.63 in 2014 was once 0.66 and 2017 was once 0.82 and TVS Motor in 2013 used to be 0.25 in 2014 was once 0.03 and 2017 was once 0.35. It can be interpreted that Proprietary Ratio of Hero Motocorp motors, Bajaj Auto continually rising and TVS Motor is continually declining.

In the above desk Sales to Total Assets Ratio of Hero Motocorp in 2013 was once 2.5, in 2014 was once 2.5 and in 2017 was 1.9 comply with the Bajaj Auto in 2013 used to be 1.6 in 2014 used to be 1.3 and 2017 used to be 1 and TVS Motor in 2013 was once 2.2 in 2014 used to be 2.3 and 2017 used to be two It can be interpreted that Sales to Total Assets Ratio of Hero Motocorp motors, Bajaj Auto and TVS Motor is continually declining.

6. Conclusion

The auto industry is one of the most essential drivers of financial boom of India and one with excessive participation in international cost chains. Increased competition led to restructuring and slicing of costs, more desirable quality, and multiplied responsiveness to demand. Firms have made use of extra borrowed funds. The researcher observed that there is the effective sturdy relationship of liquidity ratio. It evolves the wonderful stock administration and conversion length leads to greater liquidity strength to the companies. Therefore, the find out about proves that there are some enormous adjustments to meet their liabilities. The Solvency Ratios of chosen car businesses have some fluctuation. Financial Performance helps in figuring out the strengths and weak spot of the association and additionally helps in forecasting the quick time

period and lengthy term goals. The liquidity function of auto manufacturing companies is located to have desirable profitability role in the course of the years. Attention has to be made on liquidity role of the Industries so as to amplify its profitability position. Thus liquidity has an influence over the profitability position. Hence it is really useful for any auto manufacturing companies to hold its rule of thumb so as to keep away from any difficult circumstances.

7. Suggestions

Keeping in view the above observations touching on to the study, the following measures are cautioned which would go on a lengthy way to enhance the overall performance of Indian vehicle industry.

- It is cautioned that there is a want for Indian vehicle manufacturing companies to undertake producing and promoting extensive vary of products, to undertake higher market strategy, by using decreasing fee and revising promoting costs to decorate the price of turnover so as to go beforehand in the generation of competitions.
- The value of substances in Indian vehicle manufacturing companies is the main issue in manufacturing value and its share is increasing. The managerial efficiency to preserve a gold standard stage of asset lies in keeping an ample ratio of belongings to turnover.
- Cost accounting and fee audit need to be made obligatory in vehicle manufacturing companies and they have to be known as to put together fee sheet alongside with their annual economic statements.
- An appropriate administration statistics machine wants to be advanced which will take care of the records requirement of administrative officers. Appropriate organisational preparations ought to be made for the profitable implementation of administration data device in Indian vehicle industry.
- At present, in India the monetary statements are introduced on historic value basis. Thus, the actual profitability can't be ascertained on the foundation of

the figures primarily based on historic cost. It is, therefore, recommended that a supplementary assertion have to be covered in the annual document displaying the figures of belongings and liabilities on the groundwork of present day values.

- The coverage of borrowed financing in car enterprise is now not proper. So, the employer need to use accurately the borrowed cash and must attempt to

limit the constant expenses burden step by step by way of lowering borrowed dollars and by using bettering in proprietor's fund.

- It is additionally advised to have trade-off between liquidity and profitability due to the fact it is the result of composition of now not solely the present day property however cash invested in acquiring modern-day belongings too.

References

- [1]. Dharmaraj, D. N. (2013). Analysing the performance of selected Indian Automobile Companies. *Global Research Analysis*, Vol. 2, Issue 4 ISSN No. 2277-8160.
- [2]. Dubey, D. G. (2013). Automobile Industry and Performance of Key Players. *Asian Journal of Technology and Management Research*, Vol - 01 - Issue 02.
- [3]. Dharmaraj and Kathirvel (2013) "Financial Performance of Indian Automobile Industry - A Comparative Study During Pre and Post Foreign Direct Investment," *International Journal of Scientific Research*, Vol 2 Issue 9, ISSN No 2277 – 8179.
- [4]. Jothi, K. Geethalakshmi. A (2017), "An Insight into the Performance of Indian Automobile Industry," *Science Education Development Institute*, ISSN: 2276 – 6715, Vol. 2(5), pp 191-197.
- [5]. Mathur, Shivam and Aggarwal, Krati (2016), "Financial analysis of automobile industries: A comparative study of Tata Motors and Maruti Suzuki," *International journal of applied research*, 2(9), pp.-533539.
- [6]. Sharma, Nishi, (2011), "Financial analysis of Indian Automobile Industry," *International Journal of research in Computer application & Management*, 1(9), pp.-112-116