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A case study of the financial performance of selected four wheeler automobile companies in India

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Abstract

The Indian automobile industry has performed incredible in present time. In today's time, Indian automobile industry provides varieties of cars and provides all models which available on the world wide. When we are talking about the Indian automobile industry, which includes Maruti Suzuki, Tata motors, Mahindra and Mahindra, Hyundai motors, Hero Honda and Hindustan motors to a number of companies. In the early time, Indian automobile industry depends on foreign technology for their growth, then after, Indian producers have started to produce their own equipment's in India. On a globe, the Indian automobile sector has 7th rank. Automobile industry experts forecast that in future, it will be a huge rise in this sector. As an exporter of automobiles in India became a fourth position after Japan, South Korea and Thailand. As per the thinking of experts in 2050 on Indian roads about 611 million cars which will be the highest in all over the world.

Keywords: Automobile industry, foreign technology, own equipment's, highest, future

Introduction

Journey of the cars begun in the year 1898 when the first car rolled out on the roads of Mumbai. The future of Indian automobile industry has very bright, so the well-known automobile companies of the world had also come in the India to new heights. In September 2009, when global market was crashing at that time automobile industry of the India performed tremendously well. At the present time, In Manufacturing of the small cars, India is on top, 75% of automobile industry in India is manufacturing only small cars. Within 2 or 3 years, India will offer dozen of new brands and new models.

Types of Automobiles

The automobiles are categorized on the following basis:

1. Purpose

1. Passenger vehicle- car, jeep, bus
2. Good Vehicle- Truck

2. Capacity

1. Light motor vehicle- car, motorcycle, and scooter
2. Heavy Motor vehicle- Bus, Coach, tractor

3. Fuel used

1. Petrol vehicles – car, jeep, motorcycle, scooter
2. Diesel Vehicles- Truck, bus, tractor, bulldozer
3. Electric cab- Battery truck, fork lift, scooter
4. Stream carriage- stream road rollers

4. No. of Wheels

1. Two Wheeler
2. Three Wheeler
3. Four Wheeler
4. Six Wheeler

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Meaning of automobile industry

The automobile industry is the companies which concerned to design, development, manufacturing, marketing and selling of vehicles. This is the supreme sector to generate money. When it is automotive industry just not care of automobiles, but such services like repairing of automobile shops and filling fuel places.

Recent trends in Indian automobile industry

Indian automobile industry is the 7th largest at the world level. As compared to past, Automobile industry has developed its performance in all aspects.

Some of the facts about automobile sector in India like -

- Largest market for three wheelers
- Second in the world of selling two wheeler
- Tenth in marketplace of passenger vehicle
- Fourth on selling tractor
- Fifth on market place for profitable vehicle
- Fifth on motor vehicle segment and transportation

Review of literature

Khyati Jagatkumar Patel (2015) ^[16] The main objectives of the study are to find out 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.

Chauhan Lalitkumar Rajanikant (2014) ^[13] The main objectives of the study are understand about financial performance, get idea about present practice of financial statements as well as accounting practices, evaluate the financial performance by way of deciding strength, liquid position, efficiency and further scope of the automobile companies in India.

Suresh Chandra Padhy (2014) ^[14] The main objectives of the study are the awareness of green marketing and its practices among automobile companies in pune and Aurangabad city, the extent of implementation of Green Marketing Practices among automobile companies, challenges faced by the automobile companies while implementing green marketing and identify strategies adopted by automobile companies to overcome on those challenges, benefits of green marketing practices opted by automobile companies to consumers and manufacturers, the consumer's awareness and preferences of eco-friendly automobile products and effect of Green Marketing in the customer preferences.

Vipulkumar A. Pandya (2011) ^[15] "A Comparative Analysis of Liquidity & profitability of Indian Car Industry" The main objectives of the study are to find out the liquidity position and analysis of the liquidity as well as profitability and make suggestions for the financial viability. The study is from 2005-06 to 2009-10. In the study, there are four players of the automobile industry like Maruti Suzuki Ltd., Tata Motors, Hindustan Motors and Mahindra & Mahindra respectively.

Viswanathan Krishnan (1999) ^[12] The Indian automobile industry growing rapidly. Currently, the projections of joint venture for production plans are very high and import price decreasing quickly and the economy grows tremendously. Currently 20 firms thinking about India to make as a base country for production as well as market capturing. If it will

possibly then more than half dozen automobile companies making profit by way of it. Suzuki has already started to export thousands of cars to Europe and Middle East with the help of Maruti.

Areas of financial performance analysis

Financial analysis concerned with profitability performance, liquidity performance, working capital performance, fund flow performance of any firm. GSRTC defines its financial analysis from following ways:

1. Working capital analysis
2. Financial structure analysis
3. Analysis of activities
4. Performance analysis

Financial Statement

Financial statements are the conclusions of the process of financial accounting. These statements are presentation of financial information. A financial statement is based on logical and reliable data. The purpose of financial statement related to understanding about financial aspects of business entity. Financial statements based on two basic statements.

1. Income Statement
2. Balance Sheet

There are four statements which is in annual reports which are as follows

1. Profit and Loss Account
2. Spreadsheet
3. Director's reports
4. Speech by the President

Objectives of the study

1. To study the origin and the growth of selected four wheeler automobile companies.
2. To analyze the financial performance of the selected four wheeler automobile companies.
3. To compare the financial position of the selected four wheeler automobile companies with the help of technique of Ratio Analysis.
4. To make inter firm comparison of financial position of the selected four wheeler automobile companies.
5. To derive conclusions and suggest measures for improving their financial performance.

Research methodology

This study mainly base on secondary data collection through the sources like annual reports of the automobile companies and profile of the companies. Thus the information collected is further tabulated and interpreted and necessary suggestion has been made on the basis of the analysis.

Data Collection

Primary Data

Researcher had collected necessary information on internal financial audit from the financial department of public and private ltd. Researcher had also collected data by personal interview with financial manager.

Secondary data

Researcher had also collected secondary information from published literature our area of the proposed study.

Published literature such as annual reports of the different companies, reference book, national and international journals, magazines, newspapers and other published sources would be utilized to collect relevant and useful secondary data.

Ratio analysis

Ratios are shown in a mathematical ways in figures which link in a particular way.

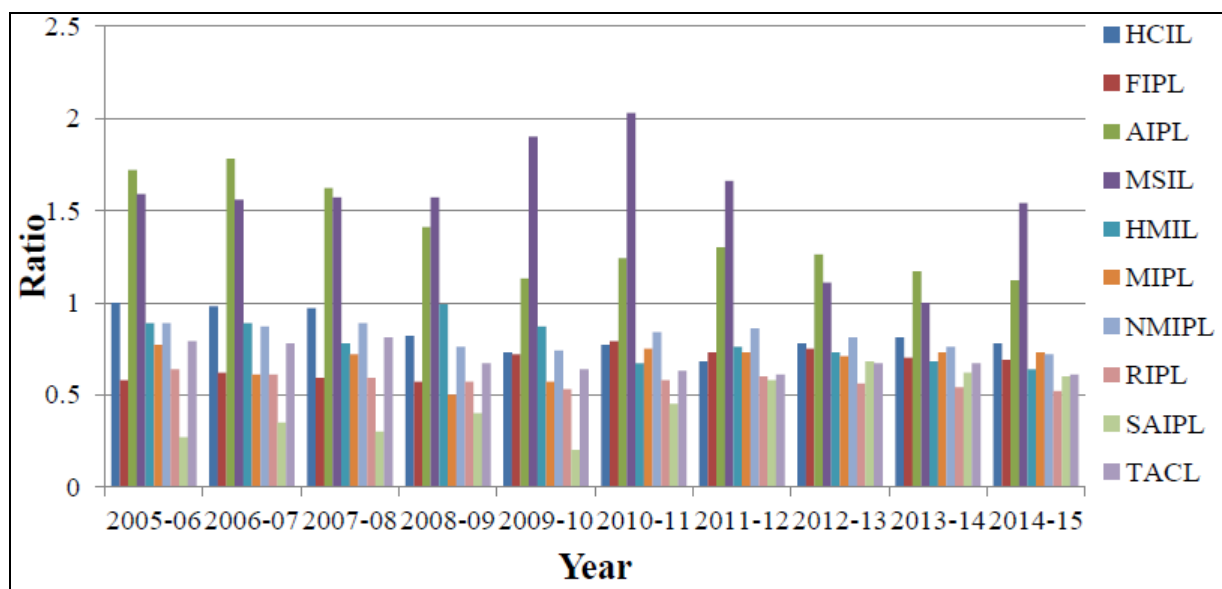
Ratio analysis was one type of accounting tool which present in simple, readable, comprehensible and concise manner. There are two ways to express reports:

1. Time: from value divided the another value, what you get in unit that called "Times". For example, if 50 students in a class, 40 are present, the ratio can be expressed as : $40/50 = 0.80$ times
2. Percentage: if proportion was multiplied by 100, then what we get called "percentage". For example, if the above same example then present students in the class are $0.8 \times 100 = 80\%$

Accounting reports concerned with a mathematical relationship of accounting data.

Table 1: Asset turnover ratio of selected four wheeler automobile companies in India during the period from 2005-06 to 2014-15

		(In percentage)									
Name of The co.	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
HCIL	1.00	0.98	0.97	0.82	0.73	0.77	0.68	0.78	0.81	0.78	
FIPL	0.58	0.62	0.59	0.57	0.72	0.79	0.73	0.75	0.70	0.69	
AIPL	1.72	1.78	1.62	1.41	1.13	1.24	1.30	1.26	1.17	1.12	
MSIL	1.59	1.56	1.57	1.57	1.90	2.03	1.66	1.11	1.00	1.54	
HMIL	0.89	0.89	0.78	0.99	0.87	0.67	0.76	0.73	0.68	0.64	
MIPL	0.77	0.61	0.72	0.50	0.57	0.75	0.73	0.71	0.73	0.73	
NMIPL	0.89	0.87	0.89	0.76	0.74	0.84	0.86	0.81	0.76	0.72	
RIPL	0.64	0.61	0.59	0.57	0.53	0.58	0.60	0.56	0.54	0.52	
SAIPL	0.27	0.35	0.30	0.40	0.20	0.45	0.58	0.68	0.62	0.60	
TACL	0.79	0.78	0.81	0.67	0.64	0.63	0.61	0.67	0.67	0.61	



Graph 1: Asset turnover ratio of selected four wheeler automobile companies in India during the period from 2005-06 to 2014-15

Period of the study

The study is mainly confined with the financial performance of selected automobile companies. The annual reports of the companies have been study for consecutive ten years from 2005-06 to 2014-15.

Conclusion

This research will be useful for the automobile companies, the government of India, potential customers and for further research on automobile industry. A comparative picture shows 10 selected automobile companies that Audi India Private Limited, Maruti Suzuki India Limited, Mercedes Benz India Private Limited, Renault India Private Limited and Nissan Motors India Private Limited have registered tremendous financial performance in relation to other selected automobile companies during the period of 2005-06 to 2014-15. Toyota Automobile Company Limited, Hyundai Motor India Limited and Ford India Private Limited have low performance during the study period because of total expenses, capital reserve, profit after tax, Non-current liabilities, current liabilities and interest expenses were not show good sign. so these automobile companies must improve profit after tax, total income, capital reserve and reduce their expenses for better performance. Management policy and strategy of automobile companies took major role in enhancement of financial performance.

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