

FINANCIAL PERFORMANCE ASSESSMENT OF INDIAN AUTOMOBILE INDUSTRY: A COMPARATIVE REVIEW

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ABSTRACT

The present research study analyses the financial performance of three major automobile manufacturing companies in India i.e. Tata Motors Limited, Mahindra and Mahindra Limited and Maruti Suzuki India Limited. The study analyses their performance between 2017 to 2021. It follows a descriptive and analytical approach. Primary and secondary data were collected, analysed and interpreted using various financial and statistical tools, i.e. Ratio analysis, Mean, Standard Deviation, Minimum and Maximum. The results show that Maruti Suzuki India Limited has the highest Net Profit, Return on capital employed (ROCE) and Return on assets (ROA) values.

KEYWORDS: *Automobile, Financial Analysis, Productivity, Profitability.*

Introduction

The automobile industry in India has travelled a long journey from the 1950s era, a time when the annual vehicle production was merely about forty thousand. This was a time when Hindustan motors, Premier automobiles and Standard motors had their monopoly in the automobile market. The industry witnessed a drastic change in 1991 when de licensing and opening up for 100 percent FDI through automatic route was implemented in the country. The industry which was controlled by a few manufacturers prior to this change saw all the major global automobile manufacturers showing enhanced interest in the Indian market. New production facilities were set up in India and the production increased from a mere 2 million in 1991 to 9.7 million in 2006. Thereafter the rise in production continued. The expertise in this sector has been achieved mainly through trial and error in the early stages. Through the decades, the country emerged as an important part of the global automotive industry – the fourth largest in the Asia-Pacific in 2020. The main factors contributing to this significant increase are the growth of the Indian middle class with increased income, increased purchasing power, decline in tax and interest rates, strong growth of the Indian economy over a past few years. Change in the approach from investment to consumerism, growth of information and communication technology which has resulted in the urbanization of rural consumer approach have contributed to the increased productivity. Therefore, increased disposable income and increasing spending habits for one's own comfort have led to the increased consumerism. Thus benefitting the overall sales in the automobile market. The automobile industry also contributes in the economic and industrial development of a country. Indian automobile industry which includes two-wheelers, three-wheelers, four-wheelers, commercial vehicles and passenger vehicles, has shown significant growth in the past few decades.

Objective

The major objective of the study was to analyse the productivity performance of three major four-wheeler manufacturing companies in India.

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Research Methodology

The present study analyses the productivity data of 3 major four wheeler manufacturing companies i.e. Tata Motors Ltd, Mahindra and Mahindra Ltd and Maruti Suzuki India Ltd between 2017 and 2021. Primary data was collected with structured questionnaires and secondary data was collected from various sources such as companies' books, periodicals, newspapers, government publications and published statements of different companies selected for the study.

The Liquidity and Profitability status of the three automobile giants was measured in terms of various financial characteristics of the accounting ratios. Data were analysed and interpreted using financial and statistical tools i.e. Ratio analysis, Mean, Standard Deviation, Minimum, Maximum, and Compound Annual Growth Rate.

Review of Literature

For the improvement in productivity, the analysis has been stressed by Davis (1961). According to him "There is growing recognition that productivity measures per se, however computed, provide little guidance for either public or private economic policy and that such measures only take on significance when the factors associated with the changes or differences shown have been analysed." In a study by Siegel (1962), the main purpose of productivity analysis is to get some idea of the efficiency with which resources are being utilized.

Beri (1965) studied the measurement of production and productivity in Indian industry and stated that productivity measurements can be used for shaping general economic policies, forecasting national income and output, occupational shifts, labour requirements etc.

Mehta & Shankar (1968) showed that productivity is a combined effect of general, technological and organizational and human factors. Owing to this characteristic of productivity, one cannot measure total productivity and partial productivity without certain limitations.

Srivastava (1992) in his appraisal states that productivity increase refers to the optimum utilization of the available resources, consequently resulting in productive efficiency and reduction in the cost of production. This is so because by increasing productivity, national wealth and per capita income rise, consequently raising the standard of living of the people.

Arora (1995) in his study developed a new system for productivity improved by way of viewing yield of milling operations, improving nutritional status of product, reducing energy requirements of the process.

Gupta (2002) has made the study regarding productivity accounting of vegetable oil industry in Rajasthan.

Rao (2004) highlighted certain major issues that would be required in the Indian context towards the transition of the knowledge, economy in productivity & competitiveness.

Jothi, K. & Geethalakshmi, A. (2017), assessed the profitability & financial position of some companies in Indian automobile industry. For this purpose, they used statistical tools like, ratio analysis, mean, standard deviation, correlation. The study discloses the positive connection between profitability, short term and long term capital.

Sahoo and Rath (2018) have studied the productivity growth and efficiency change and sources of efficiency in the Indian automobile industry. Their study reveals that excess inputs in near about 50% firms are cause of inefficiency and these inefficient firms can become efficient by targeting the peer group with the help of reducing the input sets which are overused in the production process.

Ravichandran, M. & Subramaniam (2018) focused on a single company i.e. force motors. They assessed the viability, stability and profitability of the company. They suggested that the functional status of the company can be determined by utilizing different financial tools such as profitability ratio, solvency ratio, comparative statement & graphs etc.

Result and Discussion

Following tables 1, 2 and 3 represent the data based on primary and secondary data collection about the 3 selected automobile manufacturers in India.

Table 1: Tata Motors Limited

(in %)								
YEAR	PBDIT	PBIT	PBT	NET PROFIT	RONW	ROCE	ROA	ATR
2017	5.84	-1	-5.31	-5.48	-11.48	-1.19	-4.12	75.26
2018	8.27	2.99	-1.6	-1.75	-5.13	5.04	-1.74	99.35
2019	10.82	6.35	3.46	2.91	9.11	11.57	3.31	113.61
2020	1.66	-6.01	-16.22	-16.59	-39.64	-7.18	-11.64	70.18
2021	4.96	-2.86	-4.91	-5.09	-12.57	-3.46	-3.68	72.28
MEAN	6.31	-0.106	-4.916	-5.20	-11.942	0.956	-3.574	86.136
SD	3.093464	4.347553	6.466667	6.441819	15.857976	6.627773	4.819184	17.28757
MIN	1.66	-6.01	-16.22	-16.59	-39.64	-7.18	-11.64	70.18
MAX	10.82	6.35	3.46	2.91	9.11	11.57	3.31	113.61

Source: Moneycontrol.com

Table 1: is indicative of that Tata Motors Limited has the highest Mean value of 86.136, highest value SD of 17.28, Minimum value of -39.64 and Maximum value of 113.61.

Table 2: Mahindra and Mahindra Limited

(in %)								
YEAR	PBDIT	PBIT	PBT	NET PROFIT	RONW	ROCE	ROA	ATR
2017	13.30	9.83	10.72	8.27	13.60	14.28	9.11	110.22
2018	14.91	11.87	12.53	8.94	14.37	16.95	9.18	102.67
2019	15.53	12.06	11.79	8.94	14.01	16.86	9.10	101.74
2020	16.41	11.52	6.85	2.92	3.86	13.26	2.63	90.07
2021	17.15	12.19	3.24	0.59	0.77	12.35	0.45	75.58
MEAN	15.45	11.494	9.026	5.9352	9.322	14.74	6.094	96.056
SD	1.321484	0.862058	3.492853	3.497755	5.809149	1.870433	3.781791	12.097690
MIN	13.30	9.83	3.24	0.59	0.77	12.35	0.45	75.58
MAX	17.15	12.06	12.53	8.94	14.37	16.95	9.18	102.67

Source: Moneycontrol.com

Table 2 shows that Mahindra & Mahindra Limited has the highest Mean value of 96.056, highest value SD of 12.09, Minimum value of 0.45 and Maximum value of 102.67.

Table 3: Maruti Suzuki India Limited

(in %)								
YEAR	PBDIT	PBIT	PBT	NET PROFIT	RONW	ROCE	ROA	ATR
2017	18.59	14.77	14.64	10.8	20.17	26.42	14.34	132.74
2018	17.68	14.22	13.79	9.68	18.49	25.83	13.00	134.34
2019	15.76	12.25	12.16	8.71	16.25	21.60	11.91	136.68
2020	14.18	9.51	9.34	7.47	11.66	14.04	9.03	120.87
2021	11.78	7.47	7.33	6.1	8.23	9.74	6.03	100.37
MEAN	15.598	11.644	11.452	8.552	14.96	19.526	10.862	125.000
SD	2.445439	2.783922	2.741615	1.645228	4.414793	6.594408	2.982290	13.470407
MIN	11.78	7.47	7.33	6.1	8.23	9.74	6.03	100.37
MAX	18.59	14.77	14.64	10.8	20.17	26.42	14.34	136.68

Source: Moneycontrol.com

Table 3 shows that Maruti Suzuki India Limited has the highest Mean value of 125.000, highest value SD of 13.470407, Minimum value of 6.03 and Maximum value of 136.68. The detailed analysis of the three companies indicates that Maruti Suzuki India Limited has the highest Net Profit, Return on capital employed (ROCE) and Return on assets (ROA) values.

Conclusion

Thus it can be concluded that financial performance analysis is an effective tool that helps in highlighting the strengths and weaknesses of a company and also helps in predicting the short term and long term objectives. The liquidity status is directly proportional to the profitability of Industries. Thus focus on the liquidity of the industry should be of prime significance so as to enhance its profitability position.

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