

“A STUDY ON FINANCIAL ANALYSIS OF SELECTED AUTOMOBILE COMPANIES”

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Abstract:

Since ancient time, there is significant role of automobile industries in the economy of India. Modernization and globalization has given vast scope to the automobile industries in market capture and sales maximization. In India also there are several automobile manufacturers which are dealing in the varying product line related to automobile sector as per the trends and demand of the Indian market as well as requirements for establishing international benchmarks in terms of features. In this researcher paper researcher has tried to determine financial performance of the selected automobile companies because financial health of the automobile sector also places considerable role in the economy. Researcher has made an attempt to determine profitability and liquidity position of two automobile companies in this paper.

Key Words: *Automobile Companies, Profitability, Liquidity.*

I. INTRODUCTION

In pre independence period there was a trend of importing vehicles from outside as per the requirement by the royal people while assembled cars were manufactured by General motors in Indian market place. The main focus of work in terms of automobile in India was servicing, dealership, financing and maintenance of vehicles. After almost one decade of the post-independence in India manufacturing was started.

After independence Indian automobile industry has certain challenges to overcome for success like, insufficient industries and insufficient capacity for manufacturing but still it has been grown amazingly. The most popular product line in automobiles in India includes two-wheelers, trucks, cars, buses and three wheelers. Around 5% of GDP has been shared by the Automobile Industries in last decade in India. After Japan, South Korea, and Thailand, India became Asia's 4th largest exporter country of automobiles. Approximately in the year 2050, Indian Automobile Industry will be at the top of the world. The leading Indian automobile companies are Tata motors, Mahindra & Mahindra motors, Maruti Suzuki, Hyundai, Honda, Ford, Toyota, Chevrolet, Volkswagen, Datsun, Renault, Nissan, Fiat.

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II. RESEARCH METHODOLOGY

This research paper is carried to evaluate and compare financial performance of Tata Motors and Mahindra & Mahindra Limited for the period of five years 2014-15 to 2018-19. For which secondary data has been used. For comparison of financial performance researcher has used ratio analysis and t-test.

OBJECTIVE OF THE STUDY

- To examine and compare the profitability of selected companies.
- To determine and compare liquidity of selected companies.
- To give fruitful suggestions for the enhancement in financial performance of the selected companies.

HYPOTHESIS

H_0 : There is no significant difference between net profit ratio of Tata motors and M & M motors.

H_1 : There is significant difference between net profit ratio of Tata motors and M & M motors.

RATIO ANALYSIS

1. Current Ratio

YEAR	TATA MOTORS			M & M MOTORS		
	Current Assets	Current liability	Ratio	Current Assets	Current liability	Ratio
2014-15	11,131.98	14999.61	0.74	11698.49	11069.4	1.056831
2015-16	12,950.34	19159.21	0.68	12794.03	11232.85	1.138983
2016-17	13,538.55	18871.06	0.72	12248.48	10409.83	1.176626
2017-18	15,648.38	22785.54	0.69	15845.66	14258.34	1.111326
2018-19	15,468.84	21209.58	0.73	18179.49	16007.51	1.135685

Source: annual reports of Tata Motors and M & M Motors

This ratio indicates the company's burden and its paying ability. As we can see in the chart that both of companies have not significant increase in ratio in last five years. In year 2014-15 the current ratios of Tata motors and M & M motors were 0.74:1 and 1.06:1 respectively. In year 2018-19 ratios were 0.73:1 and 1.14:1 respectively. As per above chart and calculation we can say that M & M motors has a better paying ability in comparison to Tata

motors.

2. Liquid Ratio

YEAR	TATA MOTORS			M & M MOTORS		
	Liquid assets	liquid liability	Ratio	Liquid assets	liquid liability	Ratio
2014-15	6,329.90	20080.97	0.315219	9260.92	2620.38	3.53419
2015-16	7832.42	14254.68	0.549463	10106.1	1843.55	5.481869
2016-17	7,985.54	18844.61	0.423757	9490.47	2772.87	3.422616
2017-18	9,978.25	16255.78	0.613828	13143.97	2864.37	4.588782
2018-19	10,806.84	17537.53	0.616212	14340.22	2480.32	5.781601

In the above table we can easily find that M & M motors have a very sound position in liquid ratio in comparison to Tata motors. In year 2014-15 liquid ratio of Tata motors was 0.32:1 and in year 2018-19 liquid ratio almost becomes double as 0.62:1. For M & M motors lowest ratio was 3.42:1 in year 2016-17 and highest ratio was 5.78:1 in year 2018-19. As per table it can be concluded that M & M motors has faced variation in last five years.

3. Net Profit Ratio:

YEAR	TATA MOTORS			M & M MOTORS		
	Net profit	Total income	Ratio	Net Profit	Total income	Ratio
2014-15	-4738.95	38176.15	-12.4134	3321.11	39794.36	8.34568
2015-16	160.61	44247.78	0.362979	3204.57	41725	7.680216
2016-17	-2429.6	45297.4	-5.36366	3643.39	45398.96	8.025272
2017-18	-1034.85	60389.01	-1.71364	4356.01	49721.91	8.760746
2018-19	2020.6	71757.42	2.815876	4796.04	55302.97	8.672301

This ratio indicates the net profit of Tata motors and Mahindra & Mahindra motors. As per above table in last five years the highest net profit ratio of Tata motors was 2.82% in 2018-19 and lowest ratio is -12.41% in 2014-15. Whereas highest ratio of M & M motors was 8.76% in 2016-17 and lowest ratio was 7.68% in 2015-16. As per

calculation M & M motors has strong position and better profitability in comparison of Tata motors.

4. Operating Profit Ratio

YEAR	TATA MOTORS			M & M MOTORS		
	Operating profit	Net sales	Ratio	Operating profit	Net sales	Ratio
2014-15	-3974.72	35890.5	-11.0746	4168.89	38391.61	10.85886
2015-16	155.81	42345.39	0.36795	4284.46	40386.75	10.60858
2016-17	-2353.27	43340.62	-5.42971	4722.61	43378.93	10.88688
2017-18	-946.92	57441.05	-1.64851	6102.37	48112.32	12.68359
2018-19	2398.93	68764.88	3.488598	6325.01	52960.8	11.94281

In the above table and calculation, it can be easily find that M & M motors has a very sound position in operating profit ratio than Tata motors. The lowest operating ratio of Tata motors was -11.07 in year 2014-15 and highest ratio was 3.49 in year 2018-19, thus it is significant improvement in operating ratio of Tata motors in last 5 years. There was no significant variation in operating profit ratio of M & M motors as its lowest ratio was 10.61 in year 2015-16 and highest ratio was 12.68 in year 2017-18.

HYPOTHESIS TESTING

H_0 : There is no significant difference between net profit ratio of Tata motors and M & M motors.

H_1 : There is significant difference between net profit ratio of Tata motors and M & M motors.

t-Test: Paired Two Sample for Means	TATA Motors	M & M
Mean	-3.262365335	8.296843
Variance	35.16079595	0.203135
Observations	5	5
Pearson Correlation	0.083145959	

Hypothesized Mean Difference	0	
Df	4	
t Stat	-4.374002297	
P(T<=t) one-tail	0.005965342	
t Critical one-tail	2.131846786	
P(T<=t) two-tail	0.011930683	
t Critical two-tail	2.776445105	

$$T_{cal} < T_{tab}$$

H₀ is accepted

There is no significant difference between net profit ratio of Tata motors and M & M motors.

III. Findings and Suggestions:

In every year current ratio of M & M motors was higher than Tata motors, so it can be said that liquidity position of M & M motors was better than Tata motors in last five years. M & M motors have a stronger position in terms of net profit than Tata motors. It indicates that overall profitability and operational ability of M & M motors was very stronger than Tata motors in last five years.

Tata motors should improve liquidity position and improve the current ratio. Tata motors should give more importance to enhance the profitability, for that company should think reduce its' unnecessary expenditures and costs of production and other operational cost.

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