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A STUDY ON FINANCIAL PERFORMANCE OF SELECTED INDIAN AUTOMOBILE COMPANIES

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Abstract: In Recent times, The automobile industry in India is gradually developing to replacement those of developed countries. The trends are raising in the industry across segments, namely, passenger cars, multi-Utility vehicles, commercial vehicles, two-wheelers and tractors. The qualitative analysis of the various trends reveals that the industry offers huge scope even for applied industries and those looking at investing in the auto industry. In this paper, two types automobile companies are chosen. Two, three & eight wheeler and Eight & more than eight wheeler automobile companies are chosen for this study. In two, three & eight wheeler and eight & more than eight wheeler two samples each are selected for this study. The main objective of this paper is to analyze the financial position of the selected automobile companies for five years. This study is based on secondary data. Financial position is analyzed by using different ratios. From this study, position of ANG Auto Ltd., Sundaram Clayton Ltd., Ashok Leyland Ltd. and Tata Motors Ltd. are ascertained. Selected automobile companies are also showing rapid progression in this field.

Key words: ANG Auto Ltd., Ashok Leyland Ltd., Financial Performance, Ratios, Sundaram Clayton Ltd., Tata Motors Ltd.

INTRODUCTION

The automobile industry in India is gradually developing to replacement those of developed countries. The trends are raising in the industry across segments, namely, passenger cars, multi-Utility vehicles, commercial vehicles, two-wheelers and tractors. The qualitative analysis of the various trends reveals that the industry offers huge scope even for applied industries and those looking at investing in the auto industry.

The Indian automobile sector has witnessed an extraordinary boom in recent years, this is due to the improvement in standards of the middle class, and a significant increase in their disposable incomes. India has made a score in the international automobile industry.

Two, three & eight wheeler and Eight and more than eight wheeler automobile companies which are manufacturing tractors, auto rickshaws, passenger cars, trucks, buses and other heavy vehicles.

REVIEW LITERATURE

1. **Dr. K. Jothi and Ms. P. Kalaivani(2015)** They analyzed financial health of Honda and Toyota companies. They covered five years from the year 2009-10 to 2013-14.The aim of their study are to compare liquidity and profitability of selected automobile companies.It is fulfilling to take note of that the both organizations have agreeable momentary liquidity position and along these lines not prone to experience to any significant challenges in paying/releasing their

transient commitments in time. To the extent money proportion is concerned it is urging to take note of that the Honda is having sound money the board practice. Toyota Company had made utilization of more acquired assets than the capital. From the benefit point of view it is discovered that Honda Company has high winning potential. In end it seems safe to condense that the Honda and Toyota is by all accounts sound monetary administration practice. **Hiran S. (2016)** He analyzed on Financial Analysis of Indian Companies Belongs to Automobile Industry with Special Reference to Liquidity & Leverage. The aims of his study are to study the relationship between liquidity and profitability of the 25 companies operates in Indian Automobile Sector, to study the relationship between leverage and profitability of the 25 companies operates in Indian Automobile Sector formulate. Net profit is positively associated with current & quick ratio as correlation. Respect of direction and cause and effect relation between liquidity ratios and operating profit among the companies under study. Combined leverage with return on net worth is low positive. Management should try to increase sale, further management of the companies should also study the pattern of capital structure. **Abhilasha N. & Kumara N V Dr. M. (2017)**A study was undertaken on financial evaluation of Indian automobile company.They covered five years from the year 2012 to 2016.They have selected nine samples for their study. The goal of their study is to examine financial position of selected companies.In their study, every selected company shown different ratios because their policies work.It develops the viable stock administration also; transformation period prompts higher the liquidity capacity to the firm. In this manner, the examination demonstrates that there is a huge change in the mean estimation of budgetary proportions.

RESEARCH GAP

By these related literatures, it is observed that a study on financial performance of Selected Automobile Companies in India is very few but recent financial performance measurements of selected automobile companies' are also missing. So the researcher undertook this study to measure the financial performance in the automobile industry. Hence, the researcher has made an attempt to compare the financial performance of Selected Automobile Companies in India.

OBJECTIVE OF STUDY

- To analysis of financial performance of selected Indian Automobile Companies by determining various financial ratios.

RESEARCH METHODOLOGY

The main objective of this study is to know the financial position of selected automobile companies. The study is based on secondary data, collected through annual reports of selected automobile companies. Four samples are selected for this study. The study of the financial performance of Three Wheeler and Four Wheeler companies are the period of the five years from 2011-12 to 2015-16.There are two samples selected from two, three and eight wheeler and Eight and more than eight wheeler companies each, Which are as under:

1. **Two, Three and Eight Wheeler**
   a. ANG Auto Ltd.

b. Sundaram –Clayton Ltd.

2. Eight and more than Wheeler

a. Ashok Leyland Ltd.
b. Tata Motors Ltd.

HYPOTHESIS OF THE STUDY

1. H_{o1}: There is no significant difference in Return on Net Worth of selected three wheeler and four wheeler companies.
2. H_{02}: There is no significant difference in Net Profit Margin of selected three wheeler and four wheeler companies.
3. H_{03}: There is no significant difference in Return on Assets of selected three wheeler and four wheeler companies.
4. H_{04}: There is no significant difference in Net Profit per Share of selected three wheeler and four wheeler companies.
5. H_{05}: There is significant difference in Debt-Equity ratio of selected three wheeler and four wheeler companies.

MEASUREMENT OF FINANCIAL PERFORMANCE

1. Return on Net Worth

Table 1 Return on Net Worth of Selected Two, Three & Eight Wheeler and Eight & more than Eight Wheeler Automobile Companies during the Period from 2010-11 to 2014-15

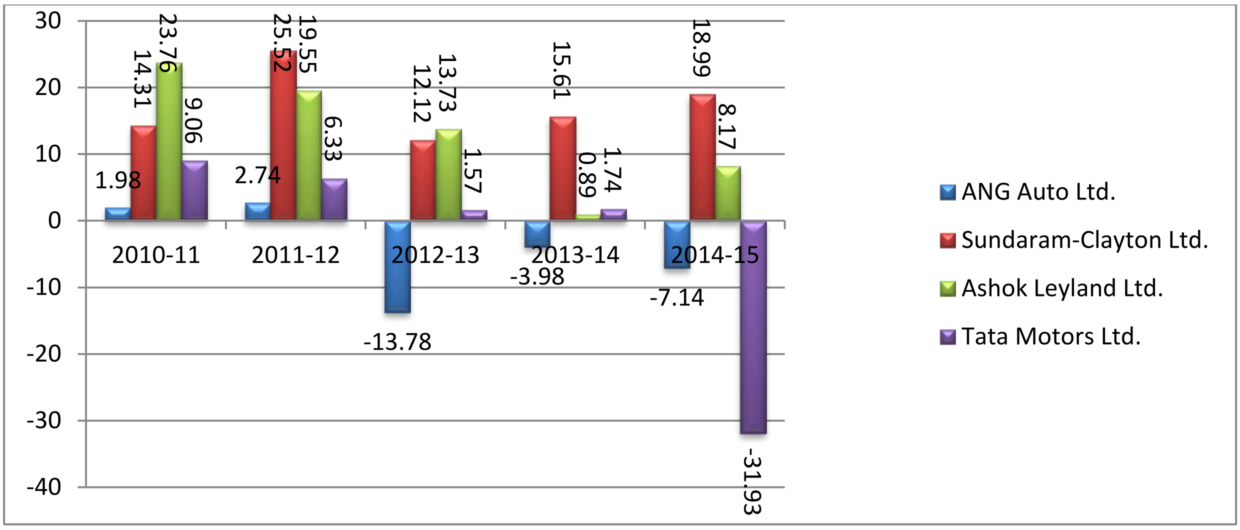
(In Percentage)

	Two, Three & Eight Wheeler			Eight & more than eight Wheeler		
Year	**ANG Auto Ltd.**	**Sundaram-Clayton Ltd.**	**Average**	**Ashok Leyland Ltd.**	**Tata Motors Ltd.**	**Average**
2010-11	1.98	14.31	8.15	23.76	9.06	16.41
2011-12	2.74	25.52	14.13	19.55	6.33	12.94
2012-13	-13.78	12.12	-0.83	13.73	1.57	7.65
2013-14	-3.98	15.61	5.82	0.89	1.74	1.32
2014-15	-7.14	18.99	5.93	8.17	-31.93	-11.88
Average	-4.04	17.31		13.22	-2.65	

(**Sources:** Calculated from the annual reports of selected Automobile companies)

Table 1 shows the Return on Net Worth of selected two, three & eight wheeler and eight & more than eight wheeler automobile companies during the year 2010-11 to 2014-15.Return on net worth is in fluctuating trends. Return on net worth of two, three & eight wheeler is higher than eight & more than eight wheeler companies. In two, three & eight wheeler companies, average return on net worth of Sundaram-Clayton Ltd. is 17.31 i.e. higher than ANG Auto Ltd. In Eight & more than eight wheeler companies, average return on net worth of Ashok Leyland Ltd. is 13.22 i.e. higher than Tata Motors Ltd. during the research period. Compare to year wise average of eight &more than eight wheeler is higher than two, three & eight wheeler .

Figure 1 Return on Net Worth of selected two, three & eight wheeler and eight & more than eight wheeler automobile companies during the period from 2010-11 to2014-15



2. Net Profit Margin

Table 2 Net Profit Margin of Selected Two, Three & Eight Wheeler and Eight & more than Eight Wheeler Automobile Companies during the Period from 2010-11 to 2014-15

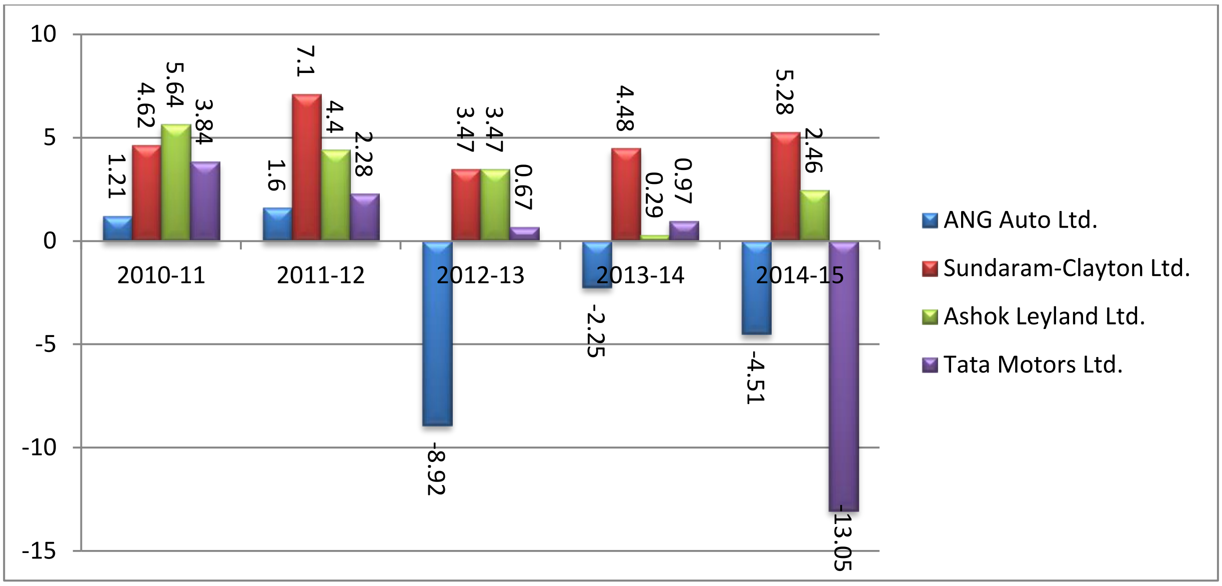
(In Percentage)

Year	Two, Three & Eight Wheeler			Eight & more than eight Wheeler		
	ANG Auto Ltd.	Sundaram -Clayton Ltd.	Average	Ashok Leyland Ltd.	Tata Motors Ltd.	Average
2010-11	1.21	4.62	2.92	5.64	3.84	4.74
2011-12	1.6	7.1	4.35	4.4	2.28	3.34
2012-13	-8.92	3.47	-2.73	3.47	0.67	2.07
2013-14	-2.25	4.48	1.12	0.29	0.97	0.63
2014-15	-4.51	5.28	0.39	2.46	-13.05	-5.30
Average	-2.57	4.99		3.25	-1.06	

(Sources: Calculated from the annual reports of selected Automobile companies)

Table 2 shows that Net Profit Margin of selected two, three & eight wheeler and eight & more than eightr wheeler companies during the year 2010 -11 to 2014 -15.Net profit margin is fluctuating trends. Net profit margin of two, three & eight wheeler is higher than four wheeler companies. In two, three & eight wheeler companies, average Net profit margin of Sundaram -Clayton Ltd. is 4.99 i.e. higher than ANG Auto Ltd. In eight & more than eight wheeler companies, Average net profit margin of Ashok Leyland Ltd. is 3.25 i.e. higher than Tata Motors Ltd. Compare to year wise average of two, three & eight wheeler is higher than eight & more than eight wheeler companies.

Figure 2 Net Profit Margin of selected two, three & eight wheeler and eight & more than eight wheeler automobile companies during the period from 2010-11 to2014-15



3. Return on Assets

Table 3 Return on Assets of Selected Two, Three & Eight Wheeler and Eight & more than Eight Wheeler Automobile Companies during the Period from 2010-11 to 2014-15

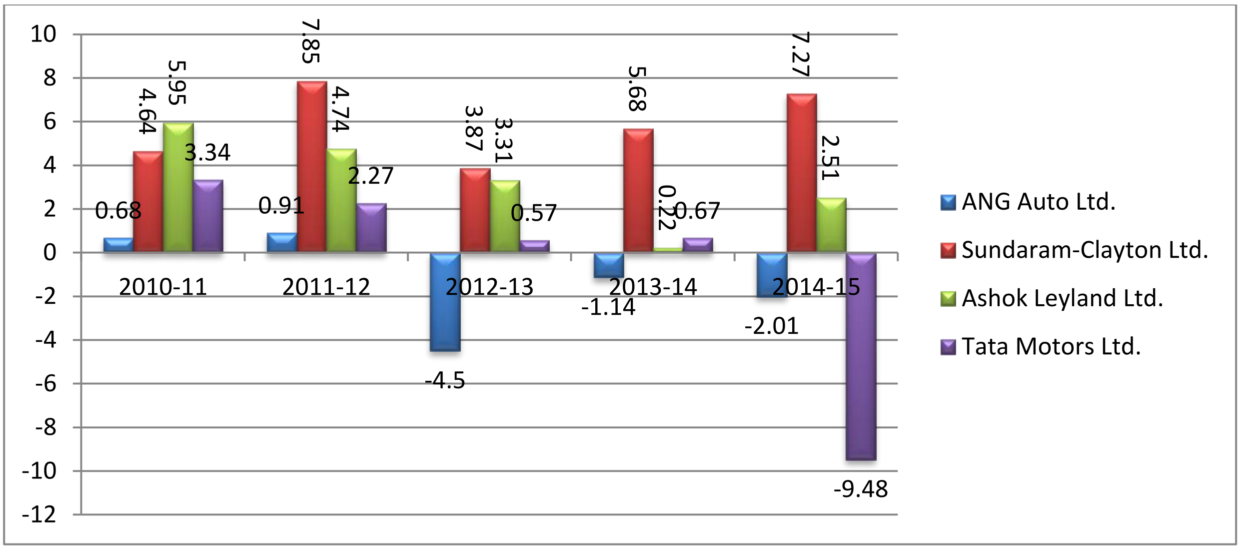
(In Percentage)

Year	Two, three & Eight wheeler			Eight & more than eight wheeler		
	ANG Auto Ltd.	Sundaram-Clayton Ltd.	Average	Ashok Leyland Ltd.	Tata Motors Ltd.	Average
2010-11	0.68	4.64	2.66	5.95	3.34	4.65
2011-12	0.91	7.85	4.38	4.74	2.27	3.51
2012-13	-4.5	3.87	-0.32	3.31	0.57	1.94
2013-14	-1.14	5.68	2.27	0.22	0.67	0.45
2014-15	-2.01	7.27	2.63	2.51	-9.48	-3.49
Average	-1.21	5.86		3.35	-0.53	

(**Sources:** Calculated from the annual reports of selected Automobile companies)

Table 3 shows that Return on Assets of selected two, three & eight wheeler and eight & more than eight wheeler companies during the year 2010 -11 to 2014 -15.Return on Assets is fluctuating trends. Return on Assets of two, three & eight wheeler is higher than eight & more than eight wheeler companies. In two, three & eight wheeler companies, average Return on Assets of Sundaram-Clayton Ltd. is 5.86.It is higher than ANG Auto Ltd. In eight & more than eight wheeler companies, Average net profit margin of Ashok Leyland Ltd. is 3.35.It is higher than Tata Motors Ltd. Compare to year wise average of two, three & eight wheeler and eight & more than eight & more than eight wheeler.

Figure 3 Return on Assets of selected two, three & eight wheeler and eight & more than eight wheeler automobile companies during the period from 2010-11 to2014-15



4. Net Profit per Share

Table 4 Net Profit per Share of Selected Two, Three & Eight Wheeler and Eight & more than Eight Wheeler Automobile Companies during the Period from 2010-11 to 2014-15

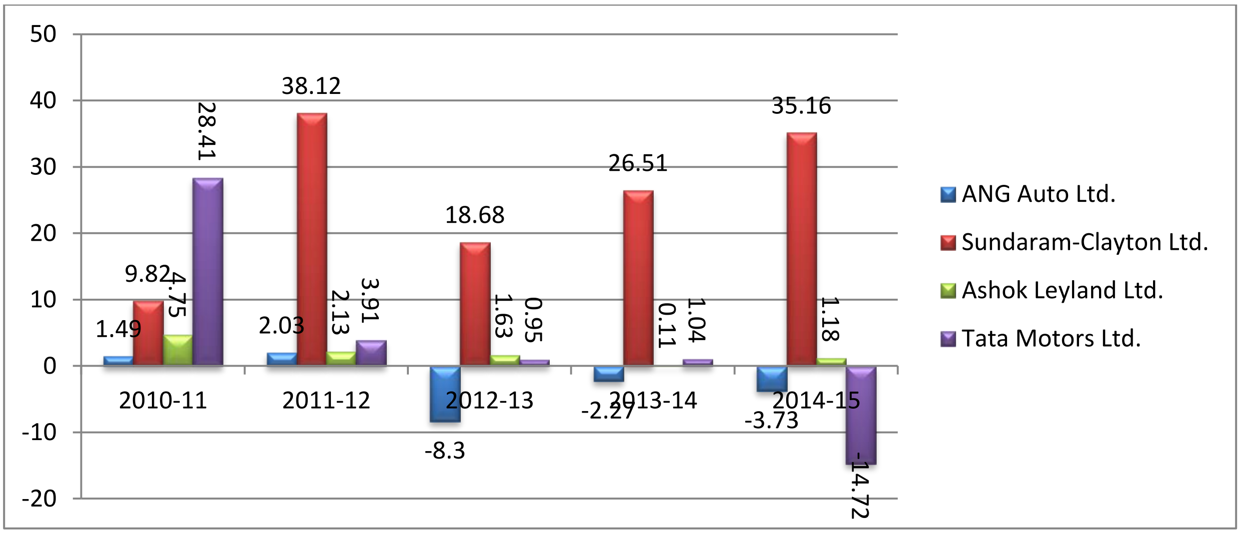
(In Percentage)

Year	Two, Three & Eight Wheeler			Eight & more than eight Wheeler		
	ANG Auto Ltd.	Sundaram-Clayton Ltd.	Average	Ashok Leyland Ltd.	Tata Motors Ltd.	Average
2010-11	1.49	9.82	5.66	4.75	28.41	16.58
2011-12	2.03	38.12	20.08	2.13	3.91	3.02
2012-13	-8.3	18.68	5.19	1.63	0.95	1.29
2013-14	-2.27	26.51	12.12	0.11	1.04	0.58
2014-15	-3.73	35.16	15.72	1.18	-14.72	-6.77
Average	-2.16	25.66		1.96	3.92	

(Sources: Calculated from the annual reports of selected Automobile companies)

Table 4 indicates that Net Profit per Share of selected two, three & eight wheeler and eight & more than eight wheeler automobile companies during the year2010-11 to 2014-15.Net Profit per Share is in fluctuating trend. Compare to average of Net Profit per Share, two, three & eight wheeler is higher than eight & more than eight wheeler. During the research period, in two, three & eight wheeler, Sundaram-Clayton Ltd. is 25.66 i.e. higher than ANG Auto Ltd. and in eight & more than eight wheeler, average of Ashok Leyland Ltd. is 1.96 i.e. higher than Tata Motors Ltd. Compare to year wise average of two, three & eight wheeler and eight & more than eight wheeler, average of two, three & eight wheeler is higher than eight & more than eight wheeler.

Figure 4 Net Profit per Share of selected two, three & eight wheeler and eight & more than eight wheeler automobile companies during the period from 2010-11 to2014-15



5. Debt-Equity Ratio

Table 5 Debt-Equity Ratio of Selected Two, Three & Eight Wheeler and Eight & more than Eight Wheeler Automobile Companies during the Period from 2010-11 to 2014-15

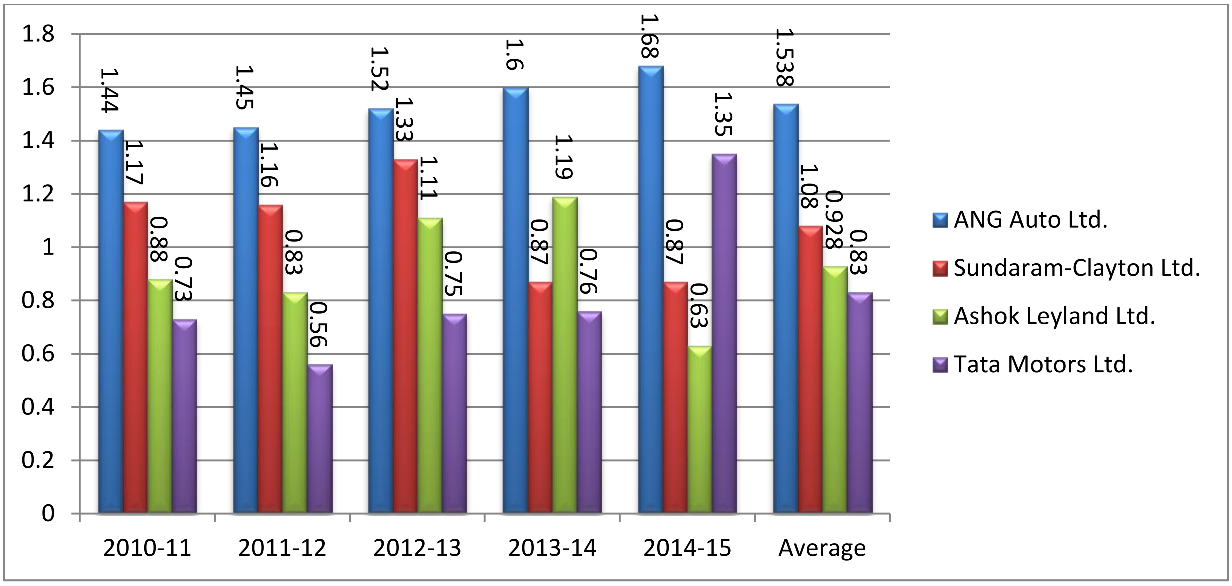
(In Percentage)

Year	Two, Three & Eight Wheeler			Eight & more than eight Wheeler		
	ANG Auto Ltd.	Sundaram-Clayton Ltd.	Average	Ashok Leyland Ltd.	Tata Motors Ltd.	Average
2010-11	1.44	1.17	1.31	0.88	0.73	0.81
2011-12	1.45	1.16	1.31	0.83	0.56	0.70
2012-13	1.52	1.33	1.43	1.11	0.75	0.93
2013-14	1.6	0.87	1.24	1.19	0.76	0.98
2014-15	1.68	0.87	1.28	0.63	1.35	0.99
Average	1.54	1.08		0.93	0.83	

(**Sources:** Calculated from the annual reports of selected Automobile companies)

Table 5 shows that Debt-Equity ratio of selected two, three & eight wheeler and eight & more than eight wheeler automobile companies during the year 2010-11 to 2014-15.Debt-equiry ratio is in fluctuating trend. Compare to average of debt-equity ratio, two, three & eight wheeler is higher than eight & more than eight wheeler companies during the research period. In two, three & eight wheeler, Both companies are in positive trends. In eight & more than eight wheeler, both companies are also in positive trends. Compare to year wise average, average of two, three & eight wheeler is higher than eight & more than eight wheeler companies.

Figure 5 Debt-Equity Ratio of selected two, three & eight wheeler and eight & more than eight wheeler automobile companies during the period from 2010-11 to2014-15



HYPOTHESIS TESTING

1. **RETURN ON NET WORTH**

H_{01}: There is no significant difference in Return on Net Worth of selected Two, three & Eight wheeler and Eight & more than eight wheeler companies.

t-Test: Two-Sample Assuming Equal Variances		
	Two, three & Eight wheeler	**Eight & more than eight wheeler**
Mean	6.64	5.288
Variance	28.8394	124.57907
Observations	5	5
Pooled Variance	76.709235	
Hypothesized Mean Difference	0	
Df	8	
t Stat	0.24407476	
P(T<=t) one-tail	0.406657972	
t Critical one-tail	1.859548038	
P(T<=t) two-tail	0.813315944	
t Critical two-tail	2.306004135	

We can observe that t value is 2.30 and p value is 0.813 as p value is greater than 0.05, we cannot reject the null hypothesis. It means there is no significant difference in Return on Net Worth of selected companies.

2.Net Profit Margin

H_{02}: There is no significant difference in Net Profit Margin of selected Two, three & Eight wheeler and Eight & more than eight wheeler companies.

t-Test: Two-Sample Assuming Equal Variances		
	Two, three & Eight wheeler	**Eight & more than eight wheeler**
Mean	1.21	1.096
Variance	7.24695	15.09723
Observations	5	5
Pooled Variance	11.17209	
Hypothesized Mean Difference	0	
Df	8	
t Stat	0.053927172	
P(T<=t) one-tail	0.47915778	
t Critical one-tail	1.859548038	
P(T<=t) two-tail	0.958315559	
t Critical two-tail	2.306004135	

We can observe that t value is 2.30 and p value is 0.958 as p value is greater than 0.05, we cannot reject the null hypothesis. It means there is no significant difference in Net Profit Margin of selected companies.

3. Return on Assets

H_{03}:There is no significant difference in Return on Assets of selected Two, three & Eight wheeler and Eight & more than eight wheeler companies.

t-Test: Two-Sample Assuming Equal Variances		
	Two, three & Eight wheeler	**Eight & more than eight wheeler**
Mean	2.324	1.412
Variance	2.85683	10.03002
Observations	5	5
Pooled Variance	6.443425	
Hypothesized Mean Difference	0	
Df	8	
t Stat	0.568076016	
P(T<=t) one-tail	0.29278511	
t Critical one-tail	1.859548038	
P(T<=t) two-tail	0.58557022	
t Critical two-tail	2.306004135	

We can observe that t value is 2.30 and p value is 0.585 as p value is greater than 0.05, we cannot reject the null hypothesis. It means there is no significant difference in Return on Assets of selected companies.

4. Net Profit per Share

H_{04}: There is no significant difference in Net Profit per Share of selected Two, three & Eight wheeler and Eight & more than eight wheeler companies.

t-Test: Two-Sample Assuming Equal Variances		
	Two, three & Eight wheeler	**Eight & more than eight wheeler**
Mean	11.754	2.94
Variance	41.35208	72.15805
Observations	5	5
Pooled Variance	56.755065	
Hypothesized Mean Difference	0	
Df	8	
t Stat	1.849867992	
P(T<=t) one-tail	0.050748603	
t Critical one-tail	1.859548038	
P(T<=t) two-tail	0.101497205	
t Critical two-tail	2.306004135	

We can observe that t value is 2.30 and p value is 0.101 as p value is greater than 0.05, we cannot reject the null hypothesis. It means there is no significant difference in Net Profit per Share of selected companies.

5. Debt-Equity ratio

H_{05}: There is significant difference in Debt-Equity ratio of selected Two, three & Eight wheeler and Eight & more than eight wheeler companies.

t-Test: Two-Sample Assuming Equal Variances		
	Two, three & Eight wheeler	**Eight & more than eight wheeler**
Mean	1.314	0.882
Variance	0.00503	0.01547
Observations	5	5
Pooled Variance	0.01025	
Hypothesized Mean Difference	0	
Df	8	
t Stat	6.746706514	
P(T<=t) one-tail	7.27723E-05	
t Critical one-tail	1.859548038	
P(T<=t) two-tail	0.000145545	
t Critical two-tail	2.306004135	

We can observe that t value is 2.30 and p value is 0.000 as p value is less than 0.05, we can reject the null hypothesis. It means there is significant difference in Debt-Equity Ratio of selected companies.

Findings and Suggestions

Findings

From the above analysis and discussion it is found that the comparative picture of financial performance of Two, three & Eight wheeler is better than Eight & more than eight wheeler companies during the research period. Return on net worth of Sundaram-Clayton is higher than other selected automobile companies for the study period.Net profit margin of Sudaram-Clayton Ltd. is higher and ANG Auto Ltd. is lower than other selected automobile companies during the study period 2010-11 to 2014-15.

Comparison of ratios, like Return on Net Worth, Return on Assets, Net Profit per Share and Net Profit Margin of Two, three & Eight wheeler and Eight & more than eight wheeler shows that Sudaram–Clayton Ltd. is higher than other selected companies during the research period. The present study highlights that the overall financial performance of selected automobile companies show the fluctuating trend during the study period.

It is also found that eight & more than eight wheeler companies are lower in selected financial ratios than Two, three & Eight wheeler companies during the research period. However, profitability of the selected automobile companies in India during the study period is satisfactory. During the period of study there were a few high and low in the profitability but it did not affect the operations of the company. If the automobile Industry has to perform well, it has to invest more capital and all selected companies have to try to improve and take steps for better growth, only then company will improve its performance level.

Suggestions

In this study, Sundaram-Clayton Ltd. is higher than other selected companies like ANG Auto Ltd., Ashok Leyland Ltd. and Tata Motors Ltd. So these companies have tried to improve their performance and better growth in future. Return on Net Worth of the other companies is lower during the research period so it is be improved in future period.

Net Profit margin of ANG Auto Ltd. and Tata Motors Ltd. is decreasing trend so both companies have to try improve their profit by decreased operating and non-operating expenses, and decrease cost of raw material and manufacturing expenses, wages, direct expenses.

Net Profit per Share of ANG Auto Ltd., Tata Motors Ltd. and Ashok Leyland Ltd. is lowest than Sundaram-Clayton Ltd. So these three companies have to try increase the profitability and decreased cost of production.

Return on Assets of ANG Auto Ltd., Tata Motors Ltd.is negative trend so both companies should try to improving their ROA because their net income and assets are low compare to other companies.

Conclusion

The automobile industry in India is gradually developing to replacement those of developed countries. The trends are raising in the industry across segments, namely, passenger cars, multi-Utility vehicles, commercial vehicles, two-wheelers and tractors. It will help the automobile industry to focus on the profitable areas for improving their financial health. This study is of vital importance to the investors also as the financial health of the automobile industry will help them to decide on where to invest their capital amongst the different automobile industry.

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