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A STUDY ON FINANCIAL PERFORMANCE OF AUTOMOBILE COMPANIES IN INDIA

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ABSTRACT

The Indian auto industry became the fourth largest in the world with sales increasing 9.5 per cent year-on-year to 4.02 million units (excluding two wheelers) in 2017. It was the 7th largest manufacturer of commercial vehicles in 2017. The Two Wheelers segment dominates the market in terms of volume owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector. India is also a prominent auto exporter and has strong export growth expectations for the near future. Overall automobile exports from India grew at 6.86 per cent CAGR between FY13-18 This This research paper is focused on the financial performance of automobile companies in India. This study was based on the yearly performance of the selected industries in the market. And this study is to know about the competitive advantage of the company and what are all the sources for the competitive advantages innovation. Based on the study some of the company needs to improve their RoCE level than the competitors.

Key Words :Financial performance analyse consisting revenue, profit, operational efficiency, capital efficiency,solvency and efficiency

I INTRODUCTION

1.1 Introduction

The Indian auto industry is recognized as a 'sunrise industry' as it has emerged as one of the fastest growing sector over last few years. India's annual production stood at 29.08 million vehicles (including passenger vehicles, commercial vehicles, three wheelers, and two wheelers) in FY18 as against 25.33 million in FY17, registering a healthy growth of 14.8% over the same period last year. As of April 2018, India has about 120 vehicles (all segments including 19 cars per 1000) on every 1000 people, which is expected to rise to almost 300 vehicles in next 10 years for every 1000 people. While the population (vehicle parc) of automobiles inIndia is expected to surge to 404 million by 2028 from 162.31 million in April, 2018. Currently, 24.37 million automobiles are added every year and it is expectedto rise to 55.84 million by 2028, still much lesser than the global average vehicle penetration. India is the 5th largest car manufacturer, 7th largest commercial vehicle manufacturer and largest manufacturer of two wheelers in the world. It is estimated that by 2020 the automobile industry in India will be the third largest in the World after China and USA. India, being a prominent auto exporter, theexports stood at about 14% of the automobiles produced annually. After declining by about 4.5% in FY17, exports witnessed a sharp growth of over 16% in FY18. Two decades of robust growth have propelled India from being a net importer of automobiles to a leading manufacturer and exporter of vehicles and components. The Two Wheelers segment leads the Indian Automobiles market with 80% market share owing to a growing middle class and a young population. This is followed by the Passenger Vehicle (PV) segment with 14% market share. India is also likely to benefit from low car penetration, emerging demographic dividend, increasing urbanization, rising incomes levels and consumption. The top companies like Maruti Suzuki, Hyundai Motors, M&M, Tata Motors, Ashok Leyland, Hero MotoCorp, HMSI, TVS, Bajaj Auto and Piaggio etc. with their ever expensive dealing networks, promotional, convenient customer services have played a key role in the growth and development of the automobile industry in India. Transport industry in India is also main menace of pollution in several cities

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as it accounts for about 11% of India's carbon emissions. As many as 14 of the world's top 20 most-polluted cities are in India, according to a 2018 World Health Organization (WHO) report. Keeping this in mind, Government of India has clearly demonstrated its intention to curb vehicular pollution through pivotal initiatives such as NEMMP, FAME scheme, and regulatory measures such as early introduction of Bharat Stage- VI in 2020. Also, fuel consumption standards (Bharat Stage IV in India, Euro VI standard worldwide) for Indian vehicles came into force in India in April 2017 for petrol, diesel, and liquefied petroleum gas (LPG) and compressed natural gas (CNG) passenger vehicles. These standards are based on a Corporate Average Fuel Efficiency (CAFE) system and targets to bring about around 18% improvement in fuel consumption of passenger vehicles by 2022, compared to 2012. According to a new survey, about 87% of Indian drivers and vehicle owners would buy an electric vehicle (EV), if that helped reduce air pollution. A number of Information and Communication Technology (ICT) in transport, which fall under the umbrella of Intelligent Transport System (ITS) are being used for improving connectivity and efficiency of urban and rural transport. In India, ITS is at its nascent stages. Most uses of ICT technologies that have sofar been restricted application of Electronic Toll Collection (ETC) technologies on national and state highways, use of technologies for tracking, surveillance and information systems on public transport, and parking management systems incities. The outlook for the industry is very strong with India expected to become 3rd largest automobile manufacturing country after China and USA by 2030. Industry experts believe that India will overtake European automobile manufacturing countries by 2020 and USA by 2035. Nevertheless, the industrywill also be facing challenges of increasing use of greener and cleaner technologies, fuel efficient vehicles, affordability and lack of good roadinfrastructure in the country. Accordingly, it would be required to continuously invest in technological development to take care of the emerging environment issues like greener and cleaner technologies and emission levels while also developing new prototypes to meet customers' expectations in terms of affordability and comfort. As per the data published by Department of Industrial Policy and Promotion (DIPP), Government of India, Cumulative FDI inflow of around US$ 16.7 billion in the sector between April 2000March.

The present study is about the financial performance of selected automobile industry in India

1.2 Statement of Problem

Evaluating Performance is necessary to understand its strengths and weaknesses to know the risks and rewards and to find out what changes to make, to achieve higher returns and if possible with less risk. The purpose of measuring performance evaluation is not to know how the business is performing but to enable it to perform better. As there is an increasing competition from other global players, the management has to initiate appropriate steps to lower the cost of production and generation of additional revenues through cost competitiveness. For this purpose, certain production areas have been identified for cost reduction. The purpose of Performance Evaluation is to examine the past and current financial data so that a company's performance and financial position can be measured and evaluated and future risks and potential can be estimated.

In this project we have knowing about the deviation of Competitive advantages checks of automobile companies that way

Let us understand what kind of changes there are

1.3 Objectives of the study

- To study and understanding the financial performance of the automobile industry using competitive advantages check
- To study the sources of the competitive advantage innovation

1.4 Research Methodology

The proposed study is entirely based on secondary data. The data has been compiled from Annual Reports of the respective companies, Text Books, Reference Books, Journals, Articles, Magazines and from the Internet. The necessary data has been collected from money control.com, equity master

1.4.1 Research Design

The descriptive research method is used for this study, because in this type of research of design that aims to obtain information to systematically describe a situation and phenomenal changes or a deviation in a frequency.

1.4.2 Sources Of Data Collection

The study is purely based on secondary data. The secondary data have been collected from published annual reports of the company. The annual report were obtained from internet.

1.5 Scope Of The Study

This present study is concerned with the financial performance of selected automobile companies. Financial Performance measures whether the company's strategy and its implementation and execution are effectively contributing towards Profitability.

- To know the competitive advantage of the company
- To Know what are all the sources for the competitive advantages innovation

1.6 Limitations Of The Study

The study will focus on the financial performance of the individual banking institution named

Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Bajaj Auto, Eicher Motors going forward the study will be facing some challenges as this project haven't been taken up by many, so there are hardly any contents and research materials regarding this topic. Due to that a lot of time and effort is being required for the research and study on this topic.

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II LITERATURE REVIEW

(Harpreet, 2016)[1]the author tries to examine the qualities & quantities performer of maruti Suzuki co. & how had both impact on its market share in India, For this study secondary data has been collected from annual reports, journals, report automobile sites. Result shows that MSL has been successfully leading automobile sector in India for last few years.

(Jothi, 2016)this study tries to evaluate the profitability & financial position of selected companies of Indian automobile industry using statistical tools like, ratio analysis, mean, standard deviation, correlation. The study reveals the positive relationship between profitability, short term and long term capital.

(Ravichandran, 2016)the main idea behind this study is to assessment of viability, stability and profitability of Force motors limited. Operating position of the company can be measured by using various financial tools such as profitability ratio, solvency ratio, comparative statement & graphs etc. This study finds that company has got enough funds to meet its debts & liabilities. Company can further improve financial performance by reducing the administrative, selling & operating expenses.

(Kuldip, 2016)made an attempt to test the size and profitability relationship in the Indian automobile industry. To analyze the relationship linear regression model as well as cross-sectional has been employed for the year 1998to 2014. For profitability analysis two different measures have been used (i) ratio of net profit to total sales turnover (ii) ratio of net income to net assets plus working capital and for form size two indicators used namely, total sales turn over and net assets. The time series analysis showed the positive relationship between firm size and profitability but crosssectional show no relationship between firm size and profitability.

(Dieter, 2015)the report shows about the current state and future prospects of the worldwide automobile industry. This survey report the manufacturer, executive and consumer views about four aspects, mobility culture, technological fit, business model readiness and market share.

[1] (Harpreet, 2016) (Jothi K. &., 2016) (Ravichandran, 2016) (Kuldip, 2016) (Dieter, 2015)

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(Krishnaveni, 2015)[2]find that Indian automobile industry is a high flying sector these days and emerging as an export hub in wake of liberalisation and globalization. This paper revises the category wise production, sales and exports of automobile industry in India. Industry growth can be viewed in term of pre and post liberalization. As government allows 100 percent FDI, increase 15% in customs duty on cars and MUVs to encourage local manufacturer and concessional import duty on specified parts of hybrid vehicles.

(Krishnaveni M. &., 2015)author has selected 87 companies out of 242 companies in capital line database to discuss the standard current ratio of automobile industry is matched with tractor and four sectors like engine parts, lamps, gears and ancillaries with standard norms. The study concludes that current and liquidity ratio of automobile industry is matched with tractor and the four sectors but other sectors have to improve the repaying capacity to strengthen the financial aspects.

(Jothi K. &., 2015) studied the comparative performance of Honda Motors and Toyota Motor that both companies have satisfactory short term liquidity position. As for as cash ratio concerned Honda company has upper hand upper hand in sound cash management practice during the study period. In case of profitability it is rising from the both of companies but remained much higher earning potential in Honda motor ltd.

(Nandhini, 2015)have studied the impact of both financial leverage as well as operating language on the profitability of TVS motor company. The result shows that company suffers from certain weakness & suggested to control fixed cost as well as variable cost to gain adequate profits.

(Agarwal, 2015)the study focus on the comparative financial performance of Maruti Suzuki and Tata motors ltd. The financial data and information required for the study are drawn from the various annual reports of companies. The liquidity and leverage analysis of both the firms are done. To analyze the leverage position four ratios are considered namely, capital gearing, debt-equity, total debt and proprietary ratio. The result shows that Tata motors ltd has to increase the portion of proprietor's fund in business to improve long term solvency position.

[2] (Krishnaveni M. &., 2015) (Krishnaveni M. &., 2015) (Jothi K. &., 2015) (Nandhini, 2015) (Agarwal, 2015)

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III FINDINGS

- RoCE of Maruti Suzuki from 2017-2021 is 30.1% - 10.3%. So the RoCE of Maruti Suzuki is decreasing year to year
- RoCE of Tata Motors from 2017 to 2021 is from 6% - 9%. The RoCE is fluctuating year by year but at the end there is an increment in the RoCE level
- Mahindra & Mahindra the RoCE is from 2017-2021 is 9% - 13%. So the RoCE of the company is increasing year by year.
- Bajaj auto the RoCE from 2017-2021 is 25% - 35%.So the RoCE of the company is increasing year by year.
- Eicher Motors the RoCE from 2017-2021 is 20% - 70%. So the RoCE of the company is increasing year by year.
- Maruti Suzuki in 2016-17 financial year introduced Urban Car Ignis and super carry. Going forward introduced upgraded versions of Celerio, Ertiga, WagnR,Swift and technology also been introduced
- Tata motors introducing new products almost in every year.2016-17 they have introduced Hexa and Nexon and in 2019-20 they introduced Altroz and Altroz EV. By improving the technology new additional features also implemented for the better performance.
- Mahindra has been introduced some new products in 2016-17 e Verito and KUV 100 going forward introduced upgraded versions of their existing product for the better performance of the vehicle new technology for the engine and additional features introduced
- Bajaj auto has been introduced Dominar 400 in 2016-17 and going forward they are introduced upgraded versions of their existing products. New technologies also implemented for the upgraded and new products
- Eicher motors introduced their upgraded version of existing products for the year of 2016-

2021.Technologies has been introduced but there is no newly product was launched

- The R&D head of Maruti Suzuki was CV Raman for the year of 2016-21. Through the effort of the department upgraded products and technology's they have introduced.
- R&D Head of Tata motors was Anand Krishnan for the year of 2016-21.They also introduced new products and technology for the past 5 year.
- R&D Head of Mahindra was Alok Roy for the year of 2016-21. They have introduced Upgraded products and technologies than introducing the new products.
- R&D Head of the Bajaj auto is the same from 2016-2021. They have introduced upgraded versions of their existing products and introduced new technology
- R&D Head of Eicher motors is Pradeep K from the year of 2016-2021. They have introduced only the upgraded version of their existing products
- R&D Expenses and Output of maruti Suzuki for the year of 2016-21. The company has spent more amount in 2017-18 and lowest amount spend on 2020-21.
- Tata motors has spent highest amount in 2019-20 for the research and development and spend the lowest amount in 2016-17.Year by year the company is spending more amount for the R&D.
- Mahindra spend highest amount in 2019-20 and the lowest amount in 2020-21.Which means between the financial year of 2019-21 decrease has been happened
- Bajaj Auto has spent the highest amount in 2019-20 and the lowest amount in 2016-17.The year which they have spent, they introduced new products
- Eicher motors has spent highest amount in 2018-19 and the lowest amount in 2016-17. Which means there is a fluctuation happened in between the year in R&D Expenses

IV SUGGESTIONS

Based on the analysis and interpretation of the data which I have acquired from 5 automobile companies is given below

- Eicher motors is introducing only their upgraded products from 2016-2021. So it will better to introduce new products in the market.
- Maruti Suzuki is decreasing their RoCE from year to year. So they should concentrate to increasing their profitability in the upcoming year
- The RoCE of Tata Motors is fluctuating from year to year. So the company should concentrate on maintaining the RoCE level
- Bajaj auto is introducing new products and upgraded products year by year. So the company should maintain the same
- Investing in research and development for Maruti Suzuki is decreasing year by year. So the company should concentrate on increase the R&D investment
- Tata motors is spending more amount in the R&D development year by year. So the company should maintain the same.
- In the year of 2020-21 Bajaj Auto not able to introduce new technologies for their product. So the company should focus on improving the technology.

V CONCLUSION

In this study the competitive study of the respective company from the automobile industry is done. Here I've taken 5 years audit reports of Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Bajaj Auto and Eicher motors. From this analysis we get to know about that which are all the companies is not in a position to achieve the profit and how many of them is still sustaining in the industry with the increasing level of profit in year by year. And also the organization which is introducing the new products and still introducing the upgraded products only we get to know about it. So after the analysis we get to know about that some of the companies should concentrate on their new product and technology introducing and should focus on the R&D of the respective company. And also they have to maintain their profit level and some of the companies need to improve in their profit generation. However, the management needs to focus more on the net profit and go for increase its revenue. Based on this study the major findings are that from the overall finance point of view, companies are performing to a very high degree level of achievement. This study indicates that in order to improve further the overall performance of the industry.

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