



Analyzing Financial Trends in the Contemporary Automobile Industry in India

Dr. S.S. Jadhav

Associate Professor of Commerce
B K D. College Chakur Distt.
Latur Maharashtra

Jai Prakash

Associate Professor of Commerce
Pt. C.L Sharma Govt College Karnal Haryana



DOI: <https://doi.org/10.36676/irt.v9.i5.1522>

* Corresponding author

Published 30/12/2023

Abstract

The Indian automobile sector is a significant pillar of the nation's economic growth, contributing prominently to the overall development of the economy. It has a vital role in enhancing the country's Gross Domestic Product (GDP), as well as creating substantial employment opportunities for a vast segment of the population. By driving forward manufacturing, trade, and services related to automotive production and consumption, the automobile industry forms an essential part of the economic framework. This study aims to evaluate the financial performance of several selected automobile companies in India, focusing on various specific financial dimensions. The research is dedicated to assessing the financial well-being of these firms, employing a thorough analysis that sheds light on the industry's overall fiscal health. Such an evaluation of financial performance is indispensable because it helps in understanding the robustness and sustainability of companies within the sector. As industries continue to evolve, financial performance assessments remain crucial for gauging their long-term viability and stability, ensuring that stakeholders, investors, and policymakers are well-informed about the industry's standing and potential growth trajectories.

Keywords: Ratio analysis, Financial Performance, Automobile Industry.

INTRODUCTION

1.1 Introduction to the topic

Financial analysis is an essential tool used to evaluate the financial performance of corporate entities, as it estimates the relationships between various components within their financial statements. One of the most prominent techniques for conducting this evaluation is ratio analysis. The analysis of financial performance offers a comprehensive understanding of a company's financial standing, the level of competition within the industry, and insights into cost and profit centers within the organization. "The accounting information derived from such analyses is crucial for managers, investors, and creditors, serving as a foundation for strategic planning and informed investment decisions.



The financial performance of a firm is of paramount importance to investors, stakeholders, and the broader economy. For investors, in particular, the return on their investments holds great value. Financially robust organizations are more likely to provide consistent and high returns. Furthermore, a firm's profitability can lead to increased employee income, better quality products for customers, and a more environmentally friendly operational approach. Additionally, higher profits often translate into increased future investments, which in turn generate employment opportunities and enhance people's income levels.

The profitability of a business unit depends not only on its pricing strategies and sales volume but also on the effective utilization of both short-term and long-term assets. Factors such as leverage, prevailing market competition, the state of the economy, government fiscal policies, customer attitudes, cost of capital, and the management of overhead costs all significantly impact profitability. The ability of a firm to navigate these elements effectively contributes to its financial success.

Although the short-term and long-term solvency ratios may fall below the standard benchmarks, many corporations are still able to meet their financial obligations due to their profitability and positive cash flows. A company's performance is considered satisfactory when it meets the expectations of all its stakeholders. Managers are focused on generating higher profits, as their performance is often assessed based on this criterion. Owners seek to maximize their wealth by increasing the company's market value, an objective directly linked to profitability. Current and potential shareholders assess company performance based on its ability to distribute dividends, considering the risks they bear. Commercial partners, on the other hand, are interested in the company's solvency and stability. Credit institutions require assurance of the company's capacity to repay loans on time, ensuring its solvency. Employees desire job security and material benefits, while the state expects companies to operate competently, pay taxes, and contribute to job creation. financial analysis plays a critical role in evaluating a company's overall health and serves as a guide for diverse stakeholders, including managers, investors, creditors, employees, and the government.” The profitability and financial stability of a company directly influence its ability to create value for all these stakeholders, thereby contributing to both individual and economic growth

Introduction to the industry

The automobile industry serves as a crucial driver for any developing economy, playing an instrumental role in fostering rapid industrial and economic growth. It supports various essential sectors by providing equipment for industries such as steel, non-ferrous metals, fertilizers, refineries, petrochemicals, shipping, textiles, plastics, glass, rubber, capital goods, logistics, paper, cement, and sugar. Moreover, the industry also enhances infrastructure development across areas like power, rail, and road transport. With strong forward and backward linkages to almost every sector, the automobile industry has a substantial multiplier effect, which significantly propels a nation's progress.

The automotive industry encompasses both the automobile manufacturing and auto components sectors. It includes passenger vehicles; light, medium, and heavy commercial



vehicles; multi-utility vehicles like jeeps, scooters, motorcycles, three-wheelers, and tractors; and a variety of auto parts such as engine components, drive transmission parts, suspension and braking systems, electrical parts, and body and frame components. In India, the automobile industry is one of the largest, demonstrating significant growth over the years and contributing substantially to the country's industrial development.

Currently, India stands as the world's second-largest producer of two-wheelers, the fifth-largest manufacturer of commercial vehicles, and the leading producer of tractors. It is also the fourth-largest passenger vehicle market in Asia and home to the world's largest motorcycle manufacturer. The sector has achieved considerable progress in terms of innovation, adoption of new technologies, and adaptability to changing business environments. Indian automotive products are gaining growing recognition worldwide, and exports of both vehicles and components have seen a promising beginning. "The automobile industry in India ranks as the tenth-largest globally, with an annual production of approximately 2 million units. India is projected to surpass China as the fastest-growing car market in terms of units sold. As one of the most rapidly expanding manufacturing sectors, India's automobile industry has attracted significant attention from car manufacturers worldwide.

Introduction of the top five automobile companies in India

Tata Motors:-

Since its founding in 1945, Tata Motors has grown to become the most successful vehicle manufacturing firm in Asia and the seventeenth biggest in the world. The company's headquarters are located in Mumbai, and they have production and assembly divisions that are among the finest in the industry spread out throughout six different sites in India and four other countries across the globe. Their manufacturing capabilities include automobiles, vans, trucks, buses, coaches, construction equipment, military trucks, and other vehicles. They have been in business for seven decades. They dominate the domestic market in almost every vehicle category, making them the market leaders. By way of their subsidiaries, partner firms, and vehicle brands that they have acquired, they have established a global footprint in countries such as the United Kingdom, Thailand, South Africa, Indonesia, and South Korea, amongst others.

It was the first successful passenger automobile that was totally developed and constructed in India, and it was called the Tata Indica. More than seventy percent of the market for commercial vehicles in India is controlled by Tata Motors, which was originally known as TELCO. Tata Motors has also grown its share of the market for passenger vehicles. Tata Motors is the biggest automotive manufacturer inside India.

It was the company that was responsible for creating the Indica, which was India's first indigenous automobile. After some early difficulties with the product's quality, it has turned out to be a big success in the market. In addition, the corporation ships the automobile to a variety of nations. Among the companies that make up the Indian car industry, Tata Motors is considered to be the most prominent.

Maruti Suzuki:-



The creation of Maruti 800, the company's most famous automobile, was the first step in Maruti's journey, which began in the year 1982 in Gurgaon. Maruti 800 is the result of a collaboration between the government of India and Suzuki, a Japanese automobile manufacturer. Through the Maruti 800, it introduced India to its very first affordable automobile. It is the most important automobile manufacturer in India, and it has a particularly strong position in the market for compact cars. Following that, it released the Maruti 1000, which was the very first modern sedan-style automobile to be introduced in India. This automobile was built by Maruti Udyog. October of 1990 saw the debut of the automobile, which Suzuki marketed and sold in a variety of foreign countries under the name Cultus/Swift/Geo Metro and had either a 1.3 L or 1.6 L engine. With a price tag of Rs. 3.81 lakh, it was the most expensive automobile that had been introduced in the Indian market at the time. After that, the firm decided to replace it with the Esteem brand, and beginning on that day, a series of Suzuki automobiles began to be sold in the Indian market.

They have developed new technologies in order to manufacture automobiles that are suitable for the circumstances in India and meet international requirements. Alto, Wagon R, Omni, Estilo, Ertiga, Ritz, Eeco, A-star, Swift, Swift DZire, SX4, and the Celerio, which was very recently introduced, are some of the most popular passenger vehicles that they produce.

Hero Motocorp:-

The Hero Motocorp Limited corporation is the solitary biggest two-wheeler motorbike manufacturer in the whole globe. The firm has its headquarters in India. The year 1982 marked the beginning of Hero, which was first established as a partnership between Honda Motors of Japan and Hero Cycles of India. The company is the most prominent maker of two-wheelers in India. In 1985, they started their commercial production at the Dharuhera factory in Haryana, which is now considered to be one of the most successful joint ventures in the whole globe.

During the course of a year, they sell more than one million pieces of their most reliable bicycle, which is called Splendor. They are spread out over the regions of Haryana and Gurgaon, and they have four production plants that are outfitted with a wide variety of high-quality machinery. They have been honored with several accolades for the excellence of their work in the automotive sector.

TVS Motors:-

TVS Motor firm Ltd. is the flagship firm of the TVS Group and the third largest two-wheeler manufacturer in India. Its primary focus is on manufacturing motorcycles. The year 1978 saw the beginning of TVS Motor, which was established in Chennai. At the present time, they are the third largest two-wheeler manufacturer in India. The enormous TVS Group is responsible for the production of motorcycles, scooters, and mopeds. They are the vehicle division of the company. They have a total of four production plants, three of which are located in India among the states of Tamil Nadu, Karnataka, and Himachal Pradesh, and one of which is located in Indonesia. For the purpose of providing their



clients with items that are dependable, they are always enhancing their products by adding cutting-edge engines, aesthetics, and other features.

Bajaj Auto:-

Bajaj is a renowned brand of two-wheelers and three-wheelers vehicles in India. The company was founded in 1930 and has been in business ever since. For almost a decade, their predecessor product, which was called the Bajaj Chetak Scooter, had been the dominant product on the Indian market. They are the industry leaders in three-wheelers (also known as auto-rickshaws) in India. It was in the year 2001 that they introduced their bicycle, which they called Pulsar”, and they entered the market for bicycles. Because they are continually updating their motorcycles with the latest cutting-edge technology and engines, they are able to differentiate themselves from the other riders in the industry. They have three production facilities, two of which are located in Maharashtra and one of which is located in Uttaranchal. These factories are outfitted with cutting-edge and excellent machinery, and they employ trained laborers.

Review of literature

(Tripathi, 2021) studied “Financial Analysis of Top 5 Automobile Companies In India financial analysis of top 5 automobile companies in india financial analysis of top 5 automobile companies in India The Indian Automobile sector has its major part in growth of economy. Indian Automobile Industry plays a vital part in economic growth of the nation. It has major contribution in GDP of the country and gives sufficient job opportunities for the people of the nation. The current analysis is based on the financial performance of selected car businesses in India. The study effort has evaluated and assessed the financial performance using numerous specified parameters. The necessity of analysis of financial performance will never lessen as it is always vital to assess the financial health of the companies in the given industry.

(Mahapatra, 2021a) studied Financial Performance Analysis of Selected Automobile Companies in India India's vehicle market is the fourth biggest in the world, according to the numbers. As stated in the Automobile Mission Plan 2016-2026, it is anticipated that it would occupy the third biggest position and contribute 12% to the Gross Domestic Product. All foreign direct investment (FDI) is allowed via the automatic route, and complete de-licensing is also authorized (www.makeinindia.com). It is one of the main sectors, and due to the reforms, it has seen fast growth. Demand for automobiles has increased by leaps and bounds in recent years. As a result of the protracted shutdown that was caused by COVID-19, the car industry in India faced a delayed development. The Society of Indian Automobile Manufacturers reported that there was a decrease of 51% in the number of passenger automobiles that were sold inside the country. It was discovered that this sector was experiencing a tendency of slowing prior to the shutdown as well. Because of the declaration that this area would be unlocked in stages, there has been a significant increase in the demand for it. Within the scope of this article, the researchers are attempting to conduct an analysis of the development and financial performance of a number of different vehicle firms. Research has been conducted to investigate the growth pattern in quarterly sales, revenue, and market capitalization, using



secondary data as the basis. The chosen ratios have been computed and compared in order to evaluate the performance of the company's finances. The factors for growth and financial success have been found and explored by the researchers who conducted the study.

(Sarin, 2024) studied Analyzing Financial Trends in the Contemporary Automotive Industry The contemporary car business is a dynamic and complex sector that is impacted by technology breakthroughs, changes in regulatory policies, preferences of consumers, and trends in the global economy. An in-depth financial study of the contemporary vehicle business is presented in this research paper. The report investigates the most important metrics, trends, and issues that are now being faced by automotive firms. Through the examination of financial statements, market performance, and the dynamics of the industry, the purpose of this paper is to provide insights into the financial health of the car industry, as well as the competitive landscape and any potential future developments. This study adds to a more in-depth knowledge of the financial complexities that are defining the current automobile industry by using both quantitative analysis and qualitative research methods.

(Mahapatra, 2021b) studied Financial Performance Analysis of Selected Automobile Companies in India” India's vehicle market is the fourth biggest in the world, according to the numbers. As stated in the Automobile Mission Plan 2016-2026, it is anticipated that it would occupy the third biggest position and contribute 12% to the Gross Domestic Product. All foreign direct investment (FDI) is allowed via the automatic route, and complete de-licensing is also authorized (www.makeinindia.com). It is one of the main sectors, and due to the reforms, it has seen fast growth. Demand for automobiles has increased by leaps and bounds in recent years. As a result of the protracted shutdown that was caused by COVID-19, the car industry in India faced a delayed development. The Society of Indian Automobile Manufacturers reported that there was a decrease of 51% in the number of passenger automobiles that were sold inside the country. It was discovered that this sector was experiencing a tendency of slowing prior to the shutdown as well. Because of the declaration that this area would be unlocked in stages, there has been a significant increase in the demand for it. Within the scope of this article, the researchers are attempting to conduct an analysis of the development and financial performance of a number of different vehicle firms. Research has been conducted to investigate the growth pattern in quarterly sales, revenue, and market capitalization, using secondary data as the basis. The chosen ratios have been computed and compared in order to evaluate the performance of the company's finances. The factors for growth and financial success have been found and explored by the researchers who conducted the study.

Conclusion

The study on the financial analysis of the top five automobile companies in India highlights the strengths and weaknesses of each company in terms of profitability, equity, and operational efficiency. Maruti Suzuki, Hero Motocorp, and Bajaj Auto emerged as predominantly equity-driven companies with negligible debt, showcasing their financial



stability. Bajaj Auto consistently showed the highest operating and net profit margins, indicating a robust ability to generate profits. Hero Motocorp and Bajaj Auto also excelled in their return on equity (ROE), reflecting efficient management of shareholders' funds. Bajaj Auto had the highest return on capital employed (ROCE) despite minimal debt, making it highly efficient in capital utilization. Tata Motors, however, faced challenges, with consistently negative net profit and declining returns, suggesting difficulties in maintaining profitability and covering operational costs. Overall, the study provides insights into the different financial strengths, capital structures, and performance metrics of these companies, underscoring the need for strategic financial management to maintain growth and profitability in a competitive industry.

REFERENCES:

1. Mahapatra, S. (2021a). Financial Performance Analysis of Selected Automobile Companies in India. *SSRN Electronic Journal*, 4(2), 1099–1109. <https://doi.org/10.2139/ssrn.3892284>
2. Mahapatra, S. (2021b). Financial Performance Analysis of Selected Automobile Companies in India. *SSRN Electronic Journal*, 8(2), 929–934. <https://doi.org/10.2139/ssrn.3892284>
3. Sarin, S. (2024). Analyzing Financial Trends in the Contemporary Automotive Industry. *International Journal of Advanced Research*, 12(05), 403–408. <https://doi.org/10.21474/ijar01/18729>
4. Tripathi, M. (2021). Financial Analysis of Top 5 Automobile Companies In India
FINANCIAL ANALYSIS OF TOP 5 AUTOMOBILE COMPANIES IN INDIA
FINANCIAL ANALYSIS OF TOP 5 AUTOMOBILE COMPANIES IN INDIA. *International Journal of Human Rights*, 8(June), 128. <https://www.researchgate.net/publication/352837265>
- Gunasegaram (2000) Financial management in automobile industry in India: an empirical study of operating and financial performance <https://shodhganga.inflibnet.ac.in/handle/10603/1174>
5. Govind P. Shinde and Manisha Dubey (2011) Automobile industry and performance of key players <http://ajtmr.com/papers/vol1issue1/automobile-industry-and-performance.pdf>
6. Nishi Sharma (2011) Financial Analysis of Indian Automobile Industry https://ijrcm.org.in/article_info.php?article_id=989
7. Rohit Bansal (2014) A Comparative Analysis of the Financial Ratios of Selected Banks in the India for the period of 2011-2014 <https://core.ac.uk/download/pdf/234630204.pdf>
8. Ramya.A and Kavitha.S (2017) A Study on Financial Analysis of Maruthi Suzuki India Limited Company <http://www.iosrjournals.org/iosr-jbm/papers/Vol19-issue7/Version-2/N19070293101.pdf>