Abstract: The present study deals with the “Financial Performance Evaluation of Automobile Sector in India” (with special reference to Maruti Udyog Ltd. (now Maruti Suzuki India Ltd.) and Hyundai Motors India Ltd.) At present, Maruti is the no. one car maker automobile manufacturing company in India and Hyundai takes place second position. Both the companies are competitors in this field so it is necessary to evaluate the financial performance of both the companies for the further improvement in their strategies.

In this present era of Liberalization, Privatization and Globalization the Market has become globally competitive; hence the survival of an enterprise depends upon the efficiency and accuracy. Hence, it is necessary to evaluate the financial performance of sampled units to know where these companies stand in the market and how these companies can improve further in the future by knowing their shortcomings.

As the title indicates, this is an in-depth study of the evaluation of financial performance of selected companies. The purpose of this study is to explain the actual accounting information and make analysis through different accounting techniques.

In the present study, the Researcher has discussed the Liquidity, Profitability, Efficiency and Leverage of both the companies to arrive at any conclusion. Apart from this, she has tried to evaluate the market value position of both the companies on the basis of some selected parameters. Every possible effort has been made to examine the financial performance of these companies through various techniques of accounting.

The study has been divided into Seven chapters. On the basis of conclusions drawn from her study, some useful suggestions have been given by her at the end of the study, If management of both the companies tries to follow these suggestions some shortcomings which have been pointed out can be removed.
**First Chapter** deals with the introductory part of the study, it explains the Statement of the Problem, Need of the Study, Purpose & Objectives of the Study and Research Methodology in detail. In Research Methodology Sample Design, Data Source, Tools & Techniques, Period of Study, Significance of the Study, Research Hypothesis, Limitations and Parameters for the evaluation of financial performance of MSIL and HMIL have been discussed by the Researcher in the first Chapter.

**Statement of the 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.

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. Financial Performance means a general measure of a company’s financial health over a given period of time.

The survival of an organization depends on its ability to both evaluate current performance and identify strategies to improve the quality of planning and control decisions.

**Need of the Study**

Financial Performance measures whether the company’s strategy and its implementation and execution are effectively contributing towards Profitability, Liquidity, Efficiency and Solvency so that the business can be carried out smoothly ensuring success, growth and bottom line improvement. Hence the present study seeks to make an in-depth analysis of the performance in the mentioned Automobile Companies (MSIL & HMIL) from all perspective.
Abstract - Financial Performance Evaluation of Automobile Industry in India
(with special reference to Maruti Udyog Ltd. and Hyundai Motors India Ltd.)

Purpose & Objectives of the Study

The proposed research is aimed at a comparative and analytical study of Performance Evaluation of Automobiles Industry in India with special reference to MSIL & HMIL in particular. The study aims at focusing on the following:

1. To familiar with the profile of sample units under study.
2. To assess the Performance Evaluation of Sample Companies in terms of different financial parameters.
3. To analyze the liquidity and profitability of sample units under study using Ratio Analysis.
4. To study the efficiency and leverage (long term solvency position) of sampled units with the help of ratios.
5. To compare the financial performance of sample units on the basis of Ratio Analysis.
6. To analyze the trend of the selected performance indicators over a period using Trend Analysis.
7. To know at what extent sample units are spending on their Research & Development.
8. To examine the Growth Rate, Market Capitalization and Cash Flow position of the companies under study and
9. To what extent the sample units are contributing to their shareholder’s wealth.
Research Methodology

Sample Design: Maruti Udyog Ltd. (MUL) (now MSIL) is the no. one car maker company in India and Hyundai Motors India Ltd. (HMIL) takes place second position. On the basis of this, sample has been selected for the proposed research.

Data & Source: 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 the CMIE data base PROWESS, the Centre for Monitoring Indian Economy and from the Capitaline.Com.

Tools & Techniques: For the purpose of analysis of data, following tools & techniques have been applied to analyze the performance of companies under study:

- The Ratio Techniques (Ratio Analysis)
- Comparative Financial Statements
- Common Size Statement Analysis (Vertical Analysis)
- Common Profitability Statement
- Growth Index Rate
- Averages, Standard Deviation and Coefficient of Variation
- ANNOVA Table
- Graphs & Diagrams

Period of the Study: To study the performance of a company reasonably a longer period is required which will enable to find out the consistency and stability over a period of time. Period of Study has been taken for ten years i.e. financial year 1999-2000 to 2008-09.
Significance of the Study: The study will throw light on the overall financial performance of sample units as a whole in the last 10 years. The study will deal with performance evaluation of sample units in terms of functional and financial areas.

Research Hypothesis: These hypotheses have been taken into study:

i. Sampled Units are cost-effective and efficient companies in terms of resource utilization.

ii. Sampled Units are generating adequate surplus necessary for future expansion.

iii. The Management of Earnings is being done to maximize shareholder’s wealth.

Limitations of the Study:

- Only secondary data (quantitative financial data) have been used for the performance evaluation of sampled units.
- Only ten years period has been taken with limited no. of financial indicators.
- The study has been restricted to only two sampled units i.e. MSIL & HMIL.
- Whatever limitations the published data of sample companies consists, the study also suffers with the same.

Parameters for Evaluating Performance Evaluation

The criteria of evaluation of performance vary from one unit of organization to other. The following Financial Parameters have been used to evaluate the performance evaluation of MSIL and HMIL:-

- Liquidity Ratio (To know the short term financial position of the companies)
- Profitability Ratio (To know the over all performance of the companies)
- Efficiency or Activity or Turnover Ratio (To know the efficiency of utilizing Company’s assets)
- Leverage or Capital Structure Ratio (To know the long term financial position of the Sampled Units.)
Abstract-Financial Performance Evaluation of Automobile Industry in India
(with special reference to Maruti Udyog Ltd. and Hyundai Motors India Ltd.)

- Market Value Ratios (To know the exact position of the companies in the market)
- Average Growth Rate, Sales, Market Capitalization, Research & Development, Cash Flow.

Liquidity Ratios: Liquidity Ratios measure the firm’s ability to meet current obligations. These ratios have been used to know the short term financial position of the companies under study:-
  1. Current Ratio
  2. Quick Ratio
  3. Absolute Cash Ratio

Profitability Ratios: Profitability Ratios measure overall performance and effectiveness of the firm. Following ratios have been used to know the profitability position of the companies under study:-

Profitability based on Sales:-
  1. Gross Profit Ratio
  2. Net Profit Ratio
  3. Operating Ratio

Profitability based on Investment:-
  4. Return on Investment
  5. Return on Equity
  6. Return on Assets

Efficiency or Activity Ratios: Efficiency or Activity Ratios are employed to evaluate the efficiency with which the firm manages and utilizes its assets. These ratios have been used under the study to know the efficiency of the companies under study:-
Abstract-Financial Performance Evaluation of Automobile Industry in India (with special reference to Maruti Udyog Ltd. and Hyundai Motors India Ltd.)

1. Fixed Assets Turnover Ratio
2. Stock Turnover Ratio
3. Debtors Turnover Ratio
4. Working Capital Turnover Ratio
5. Sales Efficiency Ratio
6. Assets Turnover Ratio

**Leverage Ratios:** Leverage Ratio is helpful in understanding the long-term financial position of the firm. These ratios have been used under the study to know the long term solvency position of the companies under study:

1. Capital Gearing Ratio
2. Debt Equity Ratio
3. Interest Coverage Ratio

**Market Value Ratios:** Market Value Ratios attempts to measure the economics status of the organization within the marketplace. Investors use these ratios to evaluate and monitor the progress of their investment. These ratios have been used under the study to know the market value of the companies under study:

1. Earning Per Share
2. Price Earning Share
3. Book Value per Share
4. Economic Value Added (EVA)
5. Market Value Added (MVA)
6. Tobin’s Q Ratio
Second Chapter throws light on the profile of the Maruti and Hyundai to become familiar with these companies. Indian Automobile Sector has also been explained in general in this chapter. Maruti is the no. one car maker manufacturing company in India and Hyundai comes after that, it takes second position. Maruti established in 1981 in India and Hyundai came in existence in 1996 to India. Both the companies are competitor to each other. It was necessary to evaluate their financial performance in order to have deep understanding of their strategies.

Overview of Indian Automobile Industry
The Automobile Industry in India the 10th largest in the World with an annual production of approximately 2 million units is expected to become one of the major global automotive industries in the coming years. A no. of domestic companies produce automobiles in India and the growing presence of multinational investment, too has led to an increase in overall growth. Following the economic reforms of 1991, the Indian Automobile Industry has demonstrated sustained growth as a result of increased competitiveness and relaxed restrictions.

About Maruti Udyog Ltd. (now Maruti Suzuki India Ltd.) (MSIL)
Maruti Suzuki India Limited is a publicly listed automaker in India. It is a leading four-wheeler automobile manufacturer in South Asia. Suzuki Motor Corporation of Japan holds a majority stake in the company. It was the first automobile company in India to mass produce and sell more than million cars. It is largely credited for having brought in on automobile evolution to India. It is the market leader in India. On 17th Sep, 2007 Maruti Udyog was renamed to Maruti Suzuki India Limited. The Company’s headquarters remain in Gurgaon near Delhi.

Maruti Udyog Ltd. is the first Automobile Company in the world to be honored with an ISO 9000:2000 certificate. The company has a joint venture with Suzuki Motor Corporation of Japan. It is said that company takes only 14 hours to make a car. Few

MUL established in 1981, had a prime objective to meet the growing demand of a personal mode of transport, which is caused due to lack of efficient public transport system. The incorporation of the company was through an Act of Parliament. MUL is the leading 4 wheelers manufacturer in India.

The Objectives of MUL (MSIL) then are as cited below:

- Modernization of the Indian Automobile Industry
- Production of Fuel-efficient vehicles to conserve scarce resources.
- Production of large no. of motor vehicles which was necessary for economic growth.

About Hyundai Motors India Ltd. (HMIL)

Hyundai Motor India Ltd. is South Korea’s largest car maker and 6th largest car maker in the world. Hyundai Motor India Ltd. (HMIL) is the Second largest and fastest growing car manufacturer in India. Santro, Getz, i-10, Accent, Elantra, Sonata Embera and Tuscon are the most successful brands of HMIL. The co. is an ISO 14001 for its sustainable environment management practices.

In India the Co. is known by Hyundai Motor India Limited (HMIL). It is wholly owned subsidiary of Hyundai Motor Company and is the second largest and the fastest growing car manufacturer in India.

At Hyundai Motor India, corporate social responsibility is a commitment integrated into the philosophy of the organization. HMIL committed towards collective excellence, and believe in the core philosophy giving back to the civil society that drives its sustenance. Hence, Philanthropy at Hyundai welfare, but is a concerted effort by all members of the company including investment of one’s time, experience
sustainable development. On April 10, 2006, this continuing commitment has led to the charter of the Hyundai Motor India Foundation. (HMIF)

The objectives of this trust is to address the expectations of society and to initiate the concrete steps to extend support in the fields of Health Care, Educational and Vocational Training, Environmental, Road Safety, Art, Science and Technology and much more. The Hyundai Motor India family was overwhelmed when the president of India, His Excellency Dr. APJ Abdul Kalam called upon the company’s management to congratulate and extend his best wishes after the launch of the foundation.

**Focus of HMIL**

The Research & Development team focuses on the development of new products and technologies that include interior and exterior design changes development of new generation engines and alternate fuel systems, concept vehicles and advanced passenger safety and comfort systems, in line with evolving customer preferences across the globe.

**Efforts of HMIL**

Some of the ongoing projects that the Hyundai Research & Development team is involved in include the development of the ‘World Engine’ in association with Daimler Chrysler and Mitsubishi and the development of Automotive Telematics in association with IBM.

That the efforts of the Hyundai Research & Development team has paid great dividends to the company is evident from the fact that the company’s newly engineered products like the Santa Fe and the Getz have made waves in the global automotive markets and the ‘US Consumer Reports’ magazine has ranked Hyundai Cars in level with that of Honda in its recent quality rankings.
**Third Chapter** analyzes the Liquidity and Profitability of the companies on the basis of some selected ratios. Apart from liquidity and profitability, market value position of the companies have also been discussed in this chapter. Market Value of the companies has been evaluated on the basis of some selected parameters i.e. Sales, Market Capitalization, R&D Expenditure, Cash Flows and Shareholders Wealth.

**Liquidity Analysis of MUL (now MSIL) & HMIL:**

Short term financial potion is not only important for banks, creditors but also valuable for the management in finding out the efficiency with which working capital is being employed in the business. It is also important for shareholders and long term creditors in determining to some extent, at least the prospects of dividend and interest payment. To have a deeper insight into the actual position of the concern, following ratios related to the short term financial position of the sampled units are calculated:-

1. Current Ratio  
2. Liquidity Ratio  
3. Absolute Cash Ratio

**Liquidity Ratios of Companies (Times)**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<td>0.10</td>
<td>0.34</td>
<td>0.11</td>
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<td>0.18</td>
<td>0.50</td>
<td>0.76</td>
<td>1.52</td>
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**Liquidity Analysis** shows that in both the companies’ liquidity position was not good during the reference period. Current Ratio, Liquidity Ratio as well as Absolute Cash Ratio was below than the recommended value of 2:1, 1:1 and 0.5:1 in most of the years which means companies were not able to face their short term obligations in time.
Profitability Analysis of MSIL and HMIL:

The main purpose of business unit is to make profit. The profitability ratios are computed to throw light on the current operating performance and efficiency of the business firm. These ratios have been calculated to know the profitability of the companies.

Profitability in relation to Sales:-
1. Gross Profit Ratio
2. Net Profit Ratio
3. Operating Profit Ratio

Profitability in relation to Investment:-
1. Return on Investment
2. Return on Equity
3. Return on Assets

Profitability Ratios of Companies (In relation to Sales)

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<tr>
<th>Year</th>
<th>2000</th>
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<th>2002</th>
<th>2003</th>
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<td>30.29</td>
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<td>38.36</td>
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<td>34.87</td>
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<td>6.94</td>
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Profitability Analysis in relation to sales indicates that companies Gross Profit Ratio was below than the recommended value of 25-30 per cent during the reference period and Operating Profit Ratio was also not satisfactory because the ratio was more than the recommended value of 75-80 per cent during the study period and it can be concluded that profitability in terms of gross profit and operating profit was not good of both the companies. Net Profit of MSIL can be said satisfactory it was more than the recommended value of 5-10 per cent and in the case of HMIL from 2000-2004 whole of the profit was used in appropriations after that it varied in a range of 10 to 21 per cent.
Abstract - Financial Performance Evaluation of Automobile Industry in India (with special reference to Maruti Udyog Ltd. and Hyundai Motors India Ltd.)

Profitability Ratios of Companies (In relation to Investment)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<td>1.88</td>
<td>5.16</td>
</tr>
</tbody>
</table>

Profitability Analysis in relation to Investment shows that MSIL has used its funds received from owners as well as from long term vendors in a better way in comparison to HMIL’s ROI. On an average MSIL’s ROI was 0.35 whereas HMIL’s ROI was 0.20 during the reference period. MSIL’s ROE was much better in comparison to the ROE of HMIL. ROA and ROE of both the companies in 2001 where it was almost NIL which shows non availability of profit for the equity shareholders in that year. ROA indicates that MSIL is better in managing its assets in comparison to HMIL. ROA of HMIL was almost NIL due to non availability of profit from 2000-2004 during the study period.

Market Value Ratios: - Market value ratios play an important role in determining the profitability of any company. These ratios show the relationship between the profit available for the distribution and the shareholders. These ratios have been calculated to know the market position of the companies:

1. Earning per Share
2. Price Earning Ratio
3. Book Value per Share
4. Economic Value Added (EVA)
5. Market Value Added (MVA)
6. Tobin’s Q (TQ)
Abstract-Financial Performance Evaluation of Automobile Industry in India (with special reference to Maruti Udyog Ltd. and Hyundai Motors India Ltd.)

Market Value Ratios of Companies

<table>
<thead>
<tr>
<th>EPS</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Avg.</th>
<th>SD</th>
<th>COV</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSIL</td>
<td>11.22</td>
<td>0.00</td>
<td>2.45</td>
<td>3.59</td>
<td>17.27</td>
<td>27.55</td>
<td>37.66</td>
<td>49.57</td>
<td>54.91</td>
<td>38.68</td>
<td>26.99</td>
<td>5.46</td>
<td>20.23</td>
</tr>
<tr>
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<td>73.26</td>
<td>212.30</td>
<td>188.56</td>
<td>52.93</td>
<td>317.25</td>
<td>648.27</td>
<td>576.22</td>
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<td>91.05</td>
<td>314.64</td>
<td>19.54</td>
<td>6.21</td>
<td></td>
</tr>
</tbody>
</table>

Market Value Analysis indicates that in the year 2001 EPS of MSIL was almost NIL due to non availability of profit overall HNIL’s EPS can be said well during the reference period. Price Earning Ratio of MSIL was zero from 2000 to 2003, and of HNIL was almost NIL in all the years during the reference period. Book Value per Share of MSIL varied in a range of 194.04 and of HNIL varied in a range of 3805.40.

Market Value Ratios of Companies

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Avg.</th>
<th>SD</th>
<th>COV</th>
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<tbody>
<tr>
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<td>0.04</td>
<td>0.14</td>
<td>0.18</td>
<td>0.22</td>
<td>0.21</td>
<td>0.19</td>
<td>0.12</td>
<td>0.14</td>
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<tr>
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<td>0.10</td>
<td>0.16</td>
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<td>0.03</td>
<td>0.12</td>
<td>0.33</td>
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<tr>
<td>MVA</td>
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<td></td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>3.68</td>
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<td>3.14</td>
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</tr>
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<td>MSIL</td>
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<td>0.00</td>
<td>0.00</td>
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<td>4.93</td>
<td>3.57</td>
<td>2.88</td>
<td>2.57</td>
<td>3.49</td>
<td>0.91</td>
<td>26.07</td>
</tr>
<tr>
<td>HNIL</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Market Value Analysis shows that in the year 2001 EVA of MSIL was almost NIL due to non availability of profits on an average it can be said satisfactory as compared to HNIL. MVA of MSIL was almost NIL from 2000 to 2003 during the reference period and it varied in a range of 3.14 in rest of the years. Tobin’s Q of MSIL was almost NIL from 2000 to 2003 during the reference period and varied in a range of 3.49 in rest of the years.
Fourth Chapter explains the Efficiency and Leverage Analysis of the Companies by taking some selected ratios. The purpose to know the Efficiency and Leverage Analysis of the companies was to know how well these companies are in utilizing their assets how well these companies use their investment funds and borrowed funds.

**Efficiency Analysis of MSIL and HMIL:-**

Efficiency analysis shows how assets are being utilized in the company. These ratios have been calculated to know efficiency of the companies:-

1. Fixed Assets Turnover Ratio
2. Stock Turnover Ratio
3. Debtors Turnover Ratio
4. Working Capital Turnover Ratio

**Efficiency Ratios of Companies (Times)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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<th>2008</th>
<th>2009</th>
<th>Avg.</th>
<th>SD</th>
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<tbody>
<tr>
<td>FATR</td>
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<tr>
<td>MSIL</td>
<td>3.21</td>
<td>2.99</td>
<td>2.91</td>
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<td>4.97</td>
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<td><strong>7.09</strong></td>
<td>5.53</td>
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<td>5.04</td>
<td>4.62</td>
<td>1.57</td>
<td>33.99</td>
</tr>
<tr>
<td>HMIL</td>
<td><strong>10.45</strong></td>
<td>7.36</td>
<td>5.25</td>
<td>4.66</td>
<td>5.72</td>
<td>5.84</td>
<td>5.35</td>
<td>5.09</td>
<td>4.64</td>
<td><strong>3.29</strong></td>
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<td>1.59</td>
<td>27.58</td>
</tr>
<tr>
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<td>22.75</td>
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<td>19.65</td>
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</tr>
<tr>
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<td>18.22</td>
<td>18.60</td>
<td>19.66</td>
<td><strong>27.29</strong></td>
<td>22.34</td>
<td>16.34</td>
<td>3.12</td>
<td>19.10</td>
</tr>
<tr>
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<td>111.74</td>
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<td>56.31</td>
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<td>20.58</td>
<td>32.64</td>
<td>20.33</td>
<td>12.00</td>
<td><strong>8.11</strong></td>
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<tr>
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<td>6.82</td>
<td>10.97</td>
<td><strong>5.51</strong></td>
<td>18.69</td>
<td>8.01</td>
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<td>9.81</td>
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<td>8.84</td>
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<td><strong>6.12</strong></td>
<td>8.84</td>
<td>2.14</td>
<td>24.20</td>
</tr>
</tbody>
</table>

**Efficiency Analysis** indicates that FATR of MSIL can’t be said satisfactory from the year 2000-2004 because usually 5-6 times FATR is considered good for any company and in the case of HMIL except in 2003, 2008 and 2009 it was below than the recommended value. In all the year except 2000 and 2001 MSIL has proved efficient company in managing its inventory in comparison to HMIL. Except 2008 and 2009 HMIL has proved a better managing company in recovering its debtors in comparison to MSIL. In all the years except 2001, 2003, 2005 and 2006 WCTR of MSIL was more than the WCTR of HMIL.
Abstract-Financial Performance Evaluation of Automobile Industry in India
(with special reference to Maruti Udyog Ltd. and Hyundai Motors India Ltd.)

Leverage Analysis of MSIL and HMIL:-

Leverage analysis means to know the long term solvency position of the company. These ratios have been calculated to know efficiency of the companies:-

1. Capital Gearing Ratio
2. Debt Equity Ratio
3. Interest Coverage Ratio

Leverage Ratios of Companies (Times)

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>Avg.</th>
<th>SD</th>
<th>COV</th>
</tr>
</thead>
<tbody>
<tr>
<td>CGR</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>MSIL</td>
<td>5.33</td>
<td>2.38</td>
<td>4.13</td>
<td>6.79</td>
<td>11.51</td>
<td>14.24</td>
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<td>10.87</td>
<td>9.35</td>
<td>13.37</td>
<td>15.40</td>
<td>4.92</td>
<td>31.95</td>
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<td>1.05</td>
<td>1.45</td>
<td>1.85</td>
<td>1.79</td>
<td>2.12</td>
<td>3.66</td>
<td><strong>3.94</strong></td>
<td>1.33</td>
<td>0.98</td>
<td><strong>0.72</strong></td>
<td>1.89</td>
<td>1.27</td>
<td>67.20</td>
</tr>
<tr>
<td>DER</td>
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<td></td>
</tr>
<tr>
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<td><strong>0.30</strong></td>
<td>0.20</td>
<td>0.13</td>
<td>0.08</td>
<td>0.07</td>
<td><strong>0.01</strong></td>
<td>0.08</td>
<td>0.10</td>
<td>0.07</td>
<td>0.14</td>
<td>0.41</td>
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<td>0.36</td>
<td>0.32</td>
<td>0.21</td>
<td><strong>0.20</strong></td>
<td>0.43</td>
<td>0.51</td>
<td><strong>0.58</strong></td>
<td>0.69</td>
<td>0.73</td>
<td>105.79</td>
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<tr>
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</tr>
<tr>
<td>MSIL</td>
<td>7.40</td>
<td><strong>-2.55</strong></td>
<td>2.54</td>
<td>6.35</td>
<td>18.74</td>
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<td>33.86</td>
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<td>6.78</td>
<td>20.51</td>
</tr>
<tr>
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<td><strong>1.99</strong></td>
<td>4.17</td>
<td>10.04</td>
<td>16.29</td>
<td>39.89</td>
<td>47.26</td>
<td><strong>241.26</strong></td>
<td>51.84</td>
<td>10.48</td>
<td>2.35</td>
<td>42.56</td>
<td>9.22</td>
<td>21.66</td>
</tr>
</tbody>
</table>

Leverage Analysis shows that MSIL was highly geared in all the years during the reference period as compared to HMIL which is a signal of under capitalization for any company. In all the years DER was less than the 2:1 in both the companies during the reference period which signals good situation for the company because it means that the company is not dependent on the debt for its capital requirements. ICR of

MSIL in 2001 indicates negative trend which shows inability of company to pay interest in time. Overall it can be said satisfactory for both the companies. On an average HMIL ICR was more than the MSIL’s ICR.
Fifth Chapter is related to the Valuation of Companies on the basis of some selected parameters. It was necessary from the Researcher’s point of view is to evaluate the companies on the basis of given parameters without these parameters the Researcher was not able to come on any definite conclusion.

The following valuation parameters have been utilized for the study:-

1. On the basis of Growth Rate
2. On the basis of Sales
3. On the basis of Market Capitalization
4. On the basis of Research & Development Expenditure
5. On the basis of Cash Flows
6. On the basis of Shareholders Wealth
7. On the basis of Ratio Analysis
8. On the basis of Profitability
9. On the basis of Market Value Ratios

✓ Valuation on the basis of Average Growth Rate of Sales & Sales
Sales figures for the last 10 years from 2000 to 2009 were taken for the analysis. First the growth rate for each year was calculated and the average of the growth rate for all years was taken. The methodology involved finding out the cumulative Sales for both the companies to determine the top company in terms of sales for the past 10 years.

Higher Growth Rate & Top Company in terms of Sales

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>G.Rate</th>
<th>Rank</th>
<th>Company</th>
<th>Total C.Sales</th>
<th>T.Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>HMIL</td>
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<td>1</td>
<td>MSIL</td>
<td>11312</td>
<td>20530.1</td>
</tr>
<tr>
<td>2</td>
<td>MSIL</td>
<td>13.77</td>
<td>2</td>
<td>HMIL</td>
<td>6241</td>
<td>15522.55</td>
</tr>
</tbody>
</table>

Source of Data: CMIE Prowess database
It is observed that HMIL is having the higher growth rate as compared to MSIL. The growth rate of HMIL is 61.67% in comparison to the 13.77% of MSIL. The Sales of MSIL is more than the sales of next best its competitor HMIL. It is almost double in comparison to the HMIL’s Sales. When the Sales exclusively for the year 2009 is taken, the position remains the same, MSIL leads in the case of higher sales.

✓ Valuation based on Average Market Capitalization & R&D Expenditure

The following table gives a position of both the companies ranked on the basis of market capitalization and Average R&D expenditure of MSIL and HMIL for the last 10 years (2000-2009):

Average Market Capitalization & R&D Expenditure-Valuation

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MSIL</td>
<td>20303</td>
<td>1</td>
<td>MSIL</td>
<td>0.38</td>
</tr>
<tr>
<td>2</td>
<td>HMIL</td>
<td>NIL</td>
<td>2</td>
<td>HMIL</td>
<td>0.06</td>
</tr>
</tbody>
</table>

Source of Data: CMIE Prowess database

From the above table it can be seen that MSIL has the higher market capitalization as compared to HMIL. The position of HMIL is almost NIL in the case of market capitalization. We can see that there is a big difference between the R&D expenditure of MSIL and HMIL. Very less attention has been paid by the HMIL in the last 10 years over the R&D expenditure.

✓ Valuation based on Cash Flows and Shareholders Wealth

The following table gives a position of both the companies that have topped in the operational cash flows and shareholders wealth:
Average Cash Flow & Shareholders Wealth

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Average Cash Flow (In Crore)</th>
<th>Rank</th>
<th>Company</th>
<th>Shareholders Wealth (In Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MSIL</td>
<td>834.71</td>
<td>1</td>
<td>MSIL</td>
<td>4939.67</td>
</tr>
<tr>
<td>2</td>
<td>HMIL</td>
<td>429.01</td>
<td>2</td>
<td>HMIL</td>
<td>1742.06</td>
</tr>
</tbody>
</table>

Source of Data: CMIE Prowess database

From the above table we can see that MSIL has higher cash flows followed by HMIL. Figure Rs. 834.71 crore represents the cash flow position of MSIL whereas the figure Rs. 429.01 crore represents the cash flow position of HMIL. It can be seen that MSIL has higher shareholders wealth followed by HMIL. MSIL’s shareholder wealth was Rs. 4939.67 crore whereas HMIL’s shareholder wealth was Rs. 1742.06 crore.

✓ Valuation based on General Ratio Analysis

The ratios used were categorized into liquidity, profitability, efficiency and leverage ratios. The ratios were calculated for a period of 10 years from 2000 to 2009 on an average basis. The companies were ranked on the basis of each ratio type; points were given to the companies in each ratio type

Table-7.1: Ratio Analysis-Liquidity and Profitability (2000-2009)

<table>
<thead>
<tr>
<th>Points</th>
<th>Company</th>
<th>Liquidity Score</th>
<th>Points</th>
<th>Company</th>
<th>Profitability Score</th>
</tr>
</thead>
<tbody>
<tr>
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<td>MSIL</td>
<td>3.18</td>
<td>2</td>
<td>MSIL</td>
<td>557.86</td>
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<tr>
<td>1</td>
<td>HMIL</td>
<td>3.15</td>
<td>1</td>
<td>HMIL</td>
<td>49.78</td>
</tr>
</tbody>
</table>

Table-7.2: Ratio Analysis-Efficiency and Leverage (2000-2009)

<table>
<thead>
<tr>
<th>Points</th>
<th>Company</th>
<th>Efficiency Score</th>
<th>Points</th>
<th>Company</th>
<th>Leverage Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>HMIL</td>
<td>137.98</td>
<td>2</td>
<td>MSIL</td>
<td>45.30</td>
</tr>
<tr>
<td>1</td>
<td>MSIL</td>
<td>51.62</td>
<td>1</td>
<td>HMIL</td>
<td>45.13</td>
</tr>
</tbody>
</table>

Source of Data: CMIE Prowess database
Abstract-Financial Performance Evaluation of Automobile Industry in India (with special reference to Maruti Udyog Ltd. and Hyundai Motors India Ltd.)

Table-7.3: Ranking of Companies on the basis of Ratio Analysis points (2000-2009)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Total Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MSIL</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>HMIL</td>
<td>5</td>
</tr>
</tbody>
</table>

Source of Data: CMIE Prowess database

MSIL tops the list. MSIL has got the 7 points in comparison to 5 points of HMIL. MSIL has got 6 points for liquidity, profitability and for leverage score, in the case of efficiency score it has got only 1 point.

✓ Valuation based on Profitability & Market Value Ratios

The three ratios of ROI, ROE and ROA were taken as indicators of profitability and three ratios of EPS, P/E Ratio and BVPS were taken as indicators of market. All the three ratios were given equal weightage in arriving at a single figure called profitability score and market score that will signify the profitability and market valuation of the company.

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank</td>
<td>Company</td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
</tr>
<tr>
<td>1</td>
<td>MSIL</td>
</tr>
<tr>
<td>2</td>
<td>HMIL</td>
</tr>
</tbody>
</table>

Source of Data: CMIE Prowess database

From the above table we can see that MSIL leads the list in terms of profitability followed by HMIL. MSIL profitability score was 557.86 in the comparison of 49.78 score of HMIL. It can be observed from the table that HMIL leads the list in terms of market valuation. HMIL market value score was 4120.05 in the comparison of 229.41 of MSIL.
ANNOVA Table and Sales Growth

Let’s take the hypothesis that sales growth is not positively related to the value of firm.

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>Sum of Square</th>
<th>Degree of freedom</th>
<th>Mean Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Sample</td>
<td>1508.96</td>
<td>1</td>
<td>1508.96</td>
</tr>
<tr>
<td>Within Sample</td>
<td>1348.60</td>
<td>18</td>
<td>74.92</td>
</tr>
</tbody>
</table>

For the given value of V1-1 and V2-18, the F=4.41 and the calculated value of F (20.14) is greater than this value, so our hypothesis is rejected, and therefore, we conclude that sales growth is positively to the value of a firm.

ANNOVA Table and Profitability

Let’s take the hypothesis that profitability is not positively related to the value of firm.

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>Sum of Square</th>
<th>Degree of freedom</th>
<th>Mean Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Sample</td>
<td>11157.22</td>
<td>1</td>
<td>11157.22</td>
</tr>
<tr>
<td>Within Sample</td>
<td>11912.56</td>
<td>18</td>
<td>661.81</td>
</tr>
</tbody>
</table>

For the given value of V1-1 and V2-18, the F=4.41 and the calculated value of F (16.86) is greater than this value, so our hypothesis is rejected, and therefore, we conclude that profitability is positively related to the value of a firm.

ANNOVA Table and Market Value Ratios

Let’s take the hypothesis that market value ratios are not positively related to the value of firm.

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>Sum of Square</th>
<th>Degree of freedom</th>
<th>Mean Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Sample</td>
<td>77812.73</td>
<td>1</td>
<td>77812.73</td>
</tr>
<tr>
<td>Within Sample</td>
<td>45595.56</td>
<td>18</td>
<td>2533.09</td>
</tr>
</tbody>
</table>

For the given value of V1-1 and V2-18, the F=4.41 and the calculated value of F (30.72) is greater than this value, so our hypothesis is rejected, and therefore, we conclude that market value ratios are positively related to the value of a firm.
ANNOVA Table and Leverage

Let’s take the hypothesis that Leverage is positively related to the value of firm.

<table>
<thead>
<tr>
<th>Source of Variation</th>
<th>Sum of Square</th>
<th>Degree of freedom</th>
<th>Mean Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Sample</td>
<td>900.90</td>
<td>1</td>
<td>900.90</td>
</tr>
<tr>
<td>Within Sample</td>
<td>1921.93</td>
<td>18</td>
<td>106.77</td>
</tr>
</tbody>
</table>

For the given value of V1-1 and V2-18, the F=4.41 and the calculated value of F (8.49) is greater than this value, so our hypothesis is rejected, and therefore, we conclude that Leverage is not positively related to the value of a firm. Rather, it is negatively related.

Conclusion and Implications

1. The HMIL (61.67%) has the highest average sales growth rate as compared to HMIL (13.77%).
2. The most valuable company in terms of average market capitalization was MSIL in comparison to HMIL. The contribution of HMIL was almost NIL whereas MSIL’s share was Rs. 20303 Crore in market capitalization.
3. On the basis of ratio analysis MSIL was the most valuable company. MSIL has hot 7Points 2 for liquidity, 2 for profitability, 2 for leverage and 1 for efficiency analysis, whereas HMIL has got 5 points 2 for efficiency, 1 for liquidity, 1 for profitability and 1 for leverage analysis.
4. In terms of profitability MSIL was the most profitable company. MSIL’s score was 568.32 whereas HMIL’s share was only 0.70.
5. From the perspective of stock market wealth creation, it can be stated that MSIL was the most valuable company during the period 2000 to 2009.
6. In terms of cash flows, which represent the actual economics benefits generated by the assets, MSIL was the largest value maximizers. MSIL’s cash flow was Rs. 834.71 in comparison to the Rs. 429.01 of HMIL’s.
7. In terms of market value HMIL score was more than the MSIL, it was 4120.05 whereas MSIL was 229.41
**Sixth Chapter** compares the financial statements of both the companies in detail in which Assets & Liabilities and Income & Expenditure has been analyzed in detail. Apart from these Researcher has tried to show comparison on the basis of Liquidity, Profitability, Efficiency, Leverage and Market Value Ratios.

**Analysis of Liabilities (MSIL)**

**Share Capital** was 3.83% of the total sources of funds in 2000 and 1.44% in the year 2009. Companies are required to have their own funds (share capital+reserves). In other words, there should not be overdependence on outsider’s funds which may trigger financial collapse in adverse conditions. **Reserves & Surpluses** that were Rs.2779.80 crore in 2000 initially increased to Rs. 4234.30 crore in 2005, which further improved reaching Rs.9200.40 crore of total funds in 2009. Net worth of the company (capital+reserves) was Rs.2912.10 crore of total funds that improved to Rs.9344.90 crore in 2009 a healthy sign indicating strong financial position. The **Debt Equity Ratio**, which was 0.06 in 2000 declined to 0.01 in 2006 which is quite comfortable because technically debt equity ratio can go up to 5.66. Likewise, **Capital Borrowing** showed a massive increase from Rs. 546.10 crore in 2000 to Rs.698.90 by 2009. Proportion of borrowing to total liabilities which was 29.62% in 2001 decreased to 6.96% in 2009. Debentures which was Rs. 300 crore in 2001 decreased to Rs.40 crore in 2007. Further trades dues and creditors, which were Rs.443.8 crore of total liabilities, have increased to Rs.2569.60 crore by 2009 indicating not comfortable handling of short term liabilities.

**Analysis of Assets (MSIL)**

**Cash and Bank balance** showed gradual increase during the study period from 0.92% in 2000 to 27.84% in 2003 which decreased to 19.31% in 2009. Company’s cash & bank balance increased from Rs.31.70 crore to Rs.1939 crore. **Investment** increased from Rs.95.50 in 2001 to Rs. 5180.70 by 2008. The proportion of investment to total
assets, thereafter, increased from 2.54% in 2001 to 55.61% in 2008 during the study period. Company’s receivables mainly consisting loans and advances increased from Rs.526.40 crore in 2000 to Rs.1730.90 in 2009. However the proportion has declined from 20.49% in 2007 to 11.53% in 2008. **Gross Fixed Assets** declined from 101.21% of total assets in 2000 to 86.83% in 2009 hence, the company has been utilizing only 86% of total assets in managing their business. Cash & Bank balance; Fixed Assets form the major part of these managing assets. To conclude, lower debt equity ratio, relatively stable earnings and increased bank funding are signs of maturity and consolidation. The company has performed exceedingly well.

### Analysis of Income (MSIL)

Profit & Loss a/c is reported in Table 6.3 and 6.4 for the period 1998 to 2009. Company’s **Sales** had a steady growth during the reference period has increased from Rs.6989.50 crore in 2000 to Rs.20530.10 crore in 2009. **Net Profit after Tax** increased from Rs. 330.10 crore to Rs. 1730.80 crore in 2008 which went down to Rs.1218.70 crore in 2009. However, it sharply went negative Rs. -269.40 crore in 2001 which means that in this year profit was not available for the distribution of shareholders and in this year EPS was also NIL due to non availability of profits. In the year next year the company recovered some losses up to some extent and profit reached to Rs. 104.50 crore in 2002 and to Rs.146.40 crore in 2003 from the negative profit of Rs.-269.40 crore in 2001 thereafter there has been an increase in the net profit from the year 2004 of Rs. 542.10 crore to Rs. 1730.80 crore in 2008 which again went down to Rs. 1218.70 crore in 2009. Company’s **Purchases** which was Rs. 5616.10 crore decreased to Rs. 5563.40 crore in 2003 and thereafter there was an increase in the company purchases from Rs. 6973.30 in 2005 to Rs.15763.10 crore. in 2009.
Analysis of Expenditure (MSIL)

Interest paid has risen from Rs.60.20 crore in the year 2000 to Rs. 77.00 crore in 2003 after that there has been a decrease in the interest paid from Rs.52.70 crore in 2003 to Rs. 20.40 crore in 2006. Thereafter it has been increased from Rs. 37.60 crore in 2007 to Rs.51.00 crore in 2009. Even though the % of interest paid by company on various debt instruments has declined; the total quantum of interest paid has increased due to over all increase in volume. Salaries & Wages have increased from Rs.185.71 crore in 2000 to Rs. 463.50 in 2009. There were hardly any bad-debts during the period 2009, 2008, 2006, 2005 and 2003. These were Rs. 0.4 crore in 2000 which increased to Rs. 2.1 crore in 2004 and to Rs. 2.2 crore in 2007. Depreciation provision has increased from Rs. 263.10 crore in 2000 to Rs.494.90 Crore in 2004 which decreased to Rs.271.40 crore in 2007 thereafter there has been an increase in the depreciation provision of Rs.568.20 in 2008 to Rs. 706.50 in 2009. Operating profit has shown a steady growth during the years 2000 to 2009 moving from Rs.708.40 crore in 2000 which went down to Rs. 129 crore in the very next year. Thereafter there has been an increasing trend from Rs. 538.230 crore in 2002 to Rs. 2433.30 crore in 2009.

Profit after Tax and Dividend (MSIL)

Dividend paid showed a steady increase from 2000 to 2009 except 2001 where profit was negative, in this year profit was not available for the distribution of shareholders that is why EPS was also NIL in this year. The profit was in this year Rs. -269.40 crore the company recovered this loss in the very next year when the profit was Rs.118.30 crore and Rs.282.10 crore in 2003. The EPS of company in 2000 was 11.22 against the net profit after tax and dividend of Rs.297 crore, which decreased to 2.45 in 2002 and to 3.59 in 2003. In 2001 EPS was NIL due to negative profit in this year. There has been an increase in the EPS of company from 2004 (17.27%) to 2008 (54.91%) which again went down to 38.68 in 2009.
Abstract - Financial Performance Evaluation of Automobile Industry in India
(with special reference to Maruti Udyog Ltd. and Hyundai Motors India Ltd.)

Analysis of Liabilities (HMIL)

Share Capital was 50.97% of the total sources of funds in 2000 and in the year 2009 it was 11.17% although it remained same (Rs. 812.54 crore) throughout the study period. Reserves & Surpluses that were Rs. 3.91 crore initially increased to Rs. 329.6 crore in 2002 but declined thereafter reaching the original level of Rs. 208.39 crore in 2003, which further improved by reaching Rs. 2239.13 crore of total funds in 2009. Net Worth of the company (capital+reserves) was 51.22% of total funds that improved to 79.75% in 2006 a healthy sign indicating strong financial position but in the coming next years it went down up to 41.95%. The debt equity ratio, which was 0.95 in 2000 declined to 0.25 in 2006 which is quite comfortable. Likewise, Capital Borrowing showed a massive decrease from Rs. 777.64 crore in 2000 to Rs 571.54 crore by 2003 thereafter there has been an increase of Rs. 4222.92 crore by 2009. Debentures were almost NIL during the study period. Further trades dues and creditors, which were Rs. 120.96 crore in 2000 of total liabilities, have gradually increased to Rs. 2655.35 crore by 2009 indicating not comfortable handling of short term liabilities.

Analysis of Assets (HMIL)

Company’s cash & bank balance increased from Rs. 153.91 crore in 2000 to Rs. 661.60 crore in 2008. The percentage of cash & bank balance to total asset is highest in 2003 at 34.44% and lowest at 5.45% in 2007. Investment decreased from Rs. 169.07 crore in 2002 to Rs. 19.5 crore by 2007. The proportion of investment to total assets, thereafter, decreased from 9.61% in 2002 to 0.44% in 2007 during the study period. The proportion of investment was NIL in the year 2000, 2005 and 2006 during the reference period. Company’s Receivables mainly consisting loans and advances increased from Rs. 78.49 crore in 2000 to Rs. 1141.31 crore in 2009. Gross Fixed Assets increased from 96.16% of total assets in 2000 to 141.65% in 2005 thereafter there has been decrease.
Abstract—Financial Performance Evaluation of Automobile Industry in India
(with special reference to Maruti Udyog Ltd. and Hyundai Motors India Ltd.)
in the proportion of gross fixed assets from 120.59% in 2006 to 91.56% in 2008. But in the year 2009 it went high up to 103.93%. Cash & Bank balance; Fixed Assets form the major part of these managing assets. To conclude, it can be said that the company has performed well.

Analysis of Income (HMIL)

Profit & Loss a/c is reported for the period 1999 to 2009. Company’s Sales had a steady growth during the reference period. Sales has increased from Rs.1671.48 crore in 2000 to Rs.15522.55 crore in 2009. Net Profit after Tax increased from Rs.59.34 crore in 2000 to Rs. 274.61 crore in 2002 but in the very next year it went down to Rs. 164.75 crore in 2003 again there was an increase from the year 2004 to 2006 but after this it again went down to Rs. 466.74 crore in 2007 and to Rs. 195.63 crore in 2009. In the year 2000 and 2001 whatever the profit company earned it used all the profit in the appropriation and due to this appropriation company did not distribute any dividend in these years. Company’s Purchases also showed an increase of Rs. 13118.60 crore in 2009 from Rs.1247.03 Crore in 2000.

Analysis of Expenditure (HMIL)

Interest paid has decreased, it was Rs.68.43 crore in 2000 which further decreased to 3.35 in 2006 thereafter it started increasing from Rs.14.06 crore in 2007 to Rs.226.51 crore in 2009. Salaries & Wages have increased from Rs.31.91 crore in 2000 to Rs.318.49 crore in 2009. There were hardly any bad-debts during 2000 through 2009 but it does not mean that there were no actual bad debts. The company did have bad loan but its effect was not reflected in the financial statements. Depreciation provision has increased from Rs.113.61 crore in 2000 to Rs.674.53 crore in 2009. Operating profit has shown a steady growth during 2000 to 2003 moving from Rs.249.65 crore to Rs.527.67 crore. In the very next year it declined to Rs. 442.05 crore and thereafter it started increasing from Rs.765.38 crore to Rs.1103.24 crore in 2006. During 2007 to 2009 operating profit declined to Rs 1087.86 crore and further to 1206.72 crore in 2009.
Profit after Tax and Dividend (HMIL)

Dividend was paid only in the year from 2002 to 2005 and in 2009. In the year 2000 and 2001 whatever profit was earned by the company it was used in the appropriation and that is why profit was not available for the distribution of dividend in these years. In rest of the years during the reference period dividend was not paid. The EPS of a company in 2000 was 73.26 against the net profit after tax and dividend of Rs.59.34 Crore, which increased to 212.30 in 2001 and thereafter decreased to 52.93 in 2003. There has been an increase in the EPS of a company from 2004 (317.25) to 2008 (634.72) which again went down to 91.05 in 2009.

Comparison on the basis of Liquidity & Profitability Analysis

<table>
<thead>
<tr>
<th>S.no.</th>
<th>Liquidity Analysis</th>
<th>MSIL</th>
<th>HMIL</th>
<th>Profitability Analysis</th>
<th>MSIL</th>
<th>HMIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CR</td>
<td>1.62</td>
<td>1.70</td>
<td>ROI</td>
<td>0.35</td>
<td>0.20</td>
</tr>
<tr>
<td>2</td>
<td>LR</td>
<td>1.19</td>
<td>0.95</td>
<td>ROE</td>
<td>539.59</td>
<td>31.37</td>
</tr>
<tr>
<td>3</td>
<td>ACR</td>
<td>0.36</td>
<td>0.50</td>
<td>ROA</td>
<td>71.91</td>
<td>36.43</td>
</tr>
<tr>
<td></td>
<td><strong>Sum of Mean Value</strong></td>
<td><strong>3.18</strong></td>
<td><strong>3.15</strong></td>
<td><strong>Sum of Mean Value</strong></td>
<td><strong>611.86</strong></td>
<td><strong>68.00</strong></td>
</tr>
<tr>
<td></td>
<td>Avg. Score</td>
<td>1.06</td>
<td>1.05</td>
<td>Avg. Score</td>
<td>203.95</td>
<td>22.67</td>
</tr>
<tr>
<td></td>
<td>Ranking</td>
<td>1</td>
<td>2</td>
<td>Ranking</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Interpretation

It is evident from the table that MSIL leads in the liquidity analysis as compared to HMIL. MSIL’s liquidity score is 1.06 whereas HMIL’s liquidity score is 1.05. It can be concluded that both the companies are not in good position to meet their short term obligation on time during the reference period, because in most of the years during the study period ratios are below than the recommended value.
Abstract—Financial Performance Evaluation of Automobile Industry in India
(with special reference to Maruti Udyog Ltd. and Hyundai Motors India Ltd.)

**Comparison on the basis of Efficiency & Leverage Analysis**

<table>
<thead>
<tr>
<th>S.no.</th>
<th>Efficiency Analysis</th>
<th>MSIL</th>
<th>HML</th>
<th>Leverage Analysis</th>
<th>MSIL</th>
<th>HML</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>FATR</td>
<td>4.62</td>
<td>5.77</td>
<td>CGR</td>
<td>15.40</td>
<td>1.89</td>
</tr>
<tr>
<td>2</td>
<td>STR</td>
<td>15.16</td>
<td>9.30</td>
<td>DER</td>
<td>0.14</td>
<td>0.69</td>
</tr>
<tr>
<td>3</td>
<td>DTR</td>
<td>16.34</td>
<td>114.07</td>
<td>ICR</td>
<td>29.50</td>
<td>42.56</td>
</tr>
<tr>
<td></td>
<td>WCTR</td>
<td>15.51</td>
<td>8.84</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sum of Mean Value</td>
<td>51.62</td>
<td>137.98</td>
<td>Sum of Mean Value</td>
<td>48.61</td>
<td>45.14</td>
</tr>
<tr>
<td></td>
<td>Avg. Score</td>
<td>12.91</td>
<td>34.50</td>
<td>Avg. Score</td>
<td>16.20</td>
<td>15.05</td>
</tr>
<tr>
<td></td>
<td>Ranking</td>
<td>2</td>
<td>1</td>
<td>Ranking</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

**Interpretation**

It can be observed from the table that HMIL leads in the efficiency analysis as compared to the MSIL efficiency analysis and MSIL leads in leverage analysis as its score is 15.01 and HMIL’s score is 14.95.

**Comparison on the basis of Market Value Analysis**

<table>
<thead>
<tr>
<th>S.no</th>
<th>Market Analysis</th>
<th>MSIL</th>
<th>HML</th>
<th>Market Analysis</th>
<th>MSIL</th>
<th>HML</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EPS</td>
<td>26.99</td>
<td>314.64</td>
<td>EVA</td>
<td>0.31</td>
<td>0.33</td>
</tr>
<tr>
<td>2</td>
<td>PER</td>
<td>11.08</td>
<td>0.00</td>
<td>MVA</td>
<td>0.89</td>
<td>0.00</td>
</tr>
<tr>
<td>3</td>
<td>BVPS</td>
<td>194.04</td>
<td>3805.40</td>
<td>TQ</td>
<td>0.91</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Sum of Mean Value</td>
<td>232.11</td>
<td>4120.04</td>
<td>Sum of Mean Value</td>
<td>2.11</td>
<td>0.33</td>
</tr>
<tr>
<td></td>
<td>Avg. Score</td>
<td>77.07</td>
<td>1373.35</td>
<td>Avg. Score</td>
<td>0.70</td>
<td>0.11</td>
</tr>
<tr>
<td></td>
<td>Ranking</td>
<td>2</td>
<td>1</td>
<td>Ranking</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

**Interpretation**

It is evident from the table that HMIL leads in the market valuation as compared to MSIL. (as per old method of calculation). MSIL leads in the market valuation as compared to HMIL. ( as per new method of calculation)
Points based on Ranking

<table>
<thead>
<tr>
<th>Particulars</th>
<th>MSIL</th>
<th>HMIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity Analysis</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Profitability Analysis (sales)</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Profitability Analysis (investment)</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Efficiency Analysis</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Leverage Analysis</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Market Valuation (old ratios)</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Market Valuation (new ratios)</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total Points</strong></td>
<td><strong>13</strong></td>
<td><strong>9</strong></td>
</tr>
</tbody>
</table>

It is clear from the above table that on the basis of rank got by each company points have been given. If a company has got 1st rank, according to this 2 marks have been given to that company for every analysis and if company has got 2nd rank, only 1 mark has been given to that company. MSIL has got 13 points in comparison to the 9 points of HMIL so it can be concluded that MSIL is satisfactory in most of the analysis.
Seventh Chapter concludes the Study on the basis of conclusion some suggestions have been given at the end for the improvement in the financial position of the companies in near future. The Researcher has tried her best to give suggestions on the basis on conclusions drawn by her, If management tries to follow these suggestions, they can remove their drawbacks which have been mentioned at appropriate places in her study work.

Most of the analysis has been made on the basis of significant ratios. The present study brings out the main findings as follows:

**Liquidity Findings of MSIL & HMIL**

- **Current Ratio of MSIL:** The Current Ratio of MSIL has not been satisfactory because it does not contain the ideal ratio of 2:1. Overall, position of company was not sound, because on an average it was 1.62 only.

- **Current Ratio of HMIL:** During the reference period of all the year Current Ratio of HMIL was lower than the standard norms of 2:1. On an average it was 1.70 during the study period which can’t be said as satisfactory.

- **Liquidity Ratio of MSIL:** The Liquidity Ratio has not always been higher than the Standard ratio of 1:1; on an average it was 1.19 which clearly indicates that the financial position of the company has not been very sound.

- **Liquidity Ratio of HMIL:** The liquidity ratio was less than the standard norms of 1:1 during the reference period except in 2002 and 2003, on an average it was 0.95 only which is not a signal of satisfactory liquidity position of the company.

- **Absolute Cash Ratio of MSIL:** During the time of study the Absolute Cash Ratio of MSIL varied in a range of 0.36 times. The ratio of the MSIL except in 2003, 2005 and 2006 was below of the recommended value of 0.5:1.
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- **Absolute Cash Ratio of HMIL:** During the time of study the Absolute Cash Ratio of HMIL varied in a range of 0.50 times from the year 2000 to 2004 the company’s Absolute Cash Ratio was in satisfactory level as compared to the standard norms of 0.5:1 but after that it started decreasing.

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Profitability Findings of MSIL & HMIL (In relation to Sales)

- **Gross Profit Ratio of MSIL:** Gross Profit Ratio shows that the financial position of the company has not been satisfactory. Generally **20 to 30** percent Gross Profit Ratio is considered good and the company’s Gross Profit Ratio doesn’t come between 20 to 30 percent. During the time of study the Gross Profit Ratio of MSIL varied in a range of 11.81 per cent.

- **Gross Profit Ratio of HMIL:** The Gross Profit Ratio of HMIL can’t be said satisfactory during the study period in 2009 it was 6.31. In all the years from 2000 to 2008 it was between 10 to 20 percent which indicates that the company can’t run its operation activities very smoothly.

- **Net Profit Ratio of MSIL:** In 2000 MSIL has earned a Net Profit of 34.87 per cent and after that there has been a decreasing trend up to the year 2004 but from the year 2006 to 2008 it shows an increasing trend. The main reason of low net profit ratio was more operating and non operating expenses which need control.

- **Net Profit Ratio of HMIL:** From the year 2000 to 2004 the Net Profit Ratio of HMIL was almost NIL. It does not mean that company has not earned any profit during this period, it indicates that whatever profit the company earned during this period the company had utilized it in appropriation. From 2005 to 2008 there is an increasing trend in this ratio after that in the very next year in 2009 it went down to 14.18
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- **Operating Ratio of MSIL:** During the study period in all the years Operating Ratio was more than 75-80 per cent it means that the company was not able to meet its operating expenses. OPR of MSIL varied in a range of 100.92 per cent.

- **Operating Ratio of HMIL:** Operating Ratio of HMIL also can’t be said to be satisfactory because it was also in all the years during the reference period was more than the standard of 75-80 per cent. On an average, the operating ratio was 100.23 per cent through out the period.

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**Profitability Findings of MSIL & HMIL (In relation to Investment)**

- **Return on Investment of MSIL:** In the year 2001 ROI of MSIL was NIL due to the non availability of profit. The average of the company is 0.35 times.

- **Return on Investment of HMIL:** On an average ROI of HMIL was 0.20 which is very less in comparison to MSIL’s ROI. In all the years except 2001, 2002 and 2003 the ROI of HMIL was low as compared to the ROI of MSIL.

- **Return on Equity of MSIL:** In the year 2001, ROE was NIL of MSIL due to non availability of the profit. On an average, it was 539.59 per cent in through out this period of study.

- **Return on Equity of HMIL:** On analyzing the ROE of HMIL we found that on an average it was 31.37 per cent during the period of study. In the year 2009 it went down to 9.08 per cent as compared to its previous year ratio which was 63.27 per cent.

- **Return on Assets of MSIL:** During the study period ROA of MSIL varied in the range of 65 to 79 per cent which can be said satisfactory. On an average, it was 71 per cent which indicates that out of 100 company utilizes 71 per cent of its total assets in the business to generate profit.
Return on Assets of HMIL: On analyzing the ROA of HMIL we found that it was almost NIL from the year 2000 to 2004. On an average, it was 36 percent which means company uses only 36 percent of its total assets in the business to make profit.

Efficiency Findings of MSIL & HMIL

Fixed Assets Turnover Ratio of MSIL: After analyzing the FATR of MSIL, we found that on an average it was 4.62 only which is less than the standard norms of 5-6 times. Overall MSIL’s FATR indicates the under utilization of fixed assets it means the company has not used its fixed assets in a proper way to generate more revenue.

Fixed Assets Turnover Ratio of HMIL: On analyzing the FATR of HMIL that on an average it was 5.77 times during the study period. In comparison to MSIL’s FATR, HMIL’s FATR can be said satisfactory because it was near to the standard norms in all the years during the reference period.

Stock Turnover Ratio of MSIL: After analyzing the Stock Turnover Ratio of the company, it can be said that the company’s position was sound. There has been a better utilization of stock in this company.

Stock Turnover Ratio of HMIL: On analyzing the STR of HMIL we found that on an average it was 9.30 during the reference period. If we compare the STR of MSIL with the STR of HMIL it can be concluded that MSIL’s STR was better than the STR of HMIL.

Debtors Turnover Ratio of MSIL: On an average it was 16.34 during the study period in the case of MSIL. From the year 2003 to 2008 debtors’ turnover ratio shows an increasing trend after that in the year 2009 it was
lower as compared to the year 2008. Overall, it shows the efficient management of debtors in the company.

- **Debtors Turnover Ratio of HMIL**: During the period of study, the Debtors Turnover Ratio of HMIL varied in a range of 114.07 times. Except 2008 and 2009 in rest of the years HMIL’s DTR is more than the DTR of MSIL.

- **Working Capital Turnover Ratio of MSIL**: On analyzing the WCTR of MSIL, we found that on an average it was 15.51 times during the reference period. Fluctuating trend can be observed during the reference period in the WCTR of MSIL.

- **Working Capital Turnover Ratio of HMIL**: After analyzing the WCTR of HMIL it can be concluded that on average it was 8.84 times only.

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**Market Value Findings of MSIL & HMIL**

- **Earning per Share of MSIL**: On analyzing the EPS of MSIL, it can be observed that there was an increasing trend in all the years during the study period except 2001 where profit was not available for the distribution of equity shareholders because it was negative in that year. On an average it was 26.99 during the study period.

- **Earning per Share of HMIL**: After analyzing the EPS of HMIL, we found except 2002, 2003 and 2009 there was an increasing trend in this ratio which is a good situation for the company as it means that the company was in a good situation to pay its equity shareholders. In 2009 it went very down to 91.05 as compared to previous year when it was 634.72 in 2008.

- **Price Earning Ratio of MSIL**: On analyzing the P/E Ratio of MSIL we found that from the year 2000 to 2003 it was almost NIL in those years. It was not a good indicator for the company because P/E Ratio shows the market
value of the company and where it was almost Zero that signifies shareholders were not optimistic about the company in those years. On an average it was 11.08 during the reference period.

- **Price Earning Ratio of HMIL:** During the reference period it can be observed that P/E Ratio of HMIL was almost NIL in all the years and it can’t be said good for any company.

- **Book Value per Share of MSIL:** On analyzing the BVPS of MSIL in all the years except 2002 and 2003 there was an increasing trend. On an average, it was 194.04 during the study period.

- **Book Value per Share of HMIL:** After analyzing the BVPS of HMIL, it can be observed that except in 2003 in all the years during the reference period there was an increasing trend. On an average, it was 3805.40 which can be a good signal for any company.

- **Economic Value Added of MSIL:** During the reference period, it can be observed that there was an increasing trend in the EVA of MSIL from the year 2002 to 2006 and after that it started decreasing. In the year 2000 where it was 0.10 and in the very next year it was almost NIL due to non availability of profit in that year. On an average it was 0.14.

- **Economic Value Added of HMIL:** EVA of HMIL during the reference period varied in a range of 0.29. As compared to MSIL, EVA of HMIL can be said satisfactory during the study period.

- **Market Value Added of MSIL:** After analyzing the MVA of MSIL we found that from the year 2000 to 2003 was almost NIL. On an average it was 3.14.

- **Market Value Added of HMIL:** During the reference period MVA of HMIL was almost NIL.
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- Tobin’s Q Ratio of MSIL: TQ of MSIL can be said satisfactory because in all the years it is more than 1 which means that the value of the assets of the company is more than its market value. On an average it was 3.49 during the study period.

- Tobin’s Q Ratio of HMIL: During the reference period MVA of HMIL was almost NIL.

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Leverage Findings of MSIL & HMIL

- Capital Gearing Ratio of MSIL: During the reference period the CGR of MSIL was more than the standard set by SEBI which is 1:4 it means that the company is not dependent on outsiders for its capital requirements. On an average it was 15.40 times during the study period.

- Capital Gearing Ratio of MSIL: The CGR of HMIL was more than the standard set by SEBI except 2000, 2007, 2008 and 2009 where it was less than 1:4. On an average it was 1.89 times only.

- Debt Equity Ratio of MSIL: The debt-equity ratio of MSIL was less than the standard norms i.e. 1:1 during the study period. On an average it was 0.14 only during the reference period. It shows a sound long-term financial strength of the company from the creditors’ point of view. The creditors are interested in low debt equity ratio.

- Debt Equity Ratio of HMIL: After analyzing the DER of HMIL, we found it was less than the standard norms of 1:1 except 2009 where it was 1.38.

- Interest Coverage Ratio of MSIL: In the year 2001 it was almost NIL in the case of MSIL which means profit was negative in this year and the company had to face difficulty in paying its interest on loan on time.
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✓ **Interest Coverage Ratio of HMIL:** After analyzing the ICR of HMIL we found from the year 2000 to 2006 there was an increasing trend in this ratio and after that it started decreasing which is not a good signal for the company because this means that the company is not in a good position to pay its interest on loan on time. In 2009 it went very down to 2.35 as compared to previous year ratio which was 10.48.

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🎉 **Recommendations for Liquidity of MSIL & HMIL**

On the basis of the study conducted and observations made, some valuable suggestions are submitted so as to strengthen the financial performance of MSIL and HMIL.

1- As the **Current Assets** of the companies reveal that these are not sufficient to meet its current liabilities so the companies should try to increase their current assets. Companies should determine the **maximum and minimum cash balance** to be kept in the business operations. A separate cell should be established for the proper control on cash balance. It is suggested that the companies should exercise **Budgetary Control System** to make **proper cash management** in the companies and if there is any idle cash and bank balances, it should be utilized in a profitable manner. Proper investment of extra cash and bank balance into short term securities should be considered so as to enhance the profitability of the companies.

🎉 **Recommendations for Profitability of MSIL & HMIL**

1- In order to improve the **Operating Profit Ratio** of the companies it is suggested that the management of the companies should exercise control over operating cost. To serve this purpose, the companies should acquaint its employees with **technology up gradation** through **training and refresher courses** so that the productivity of the employees in the companies might be increased and operating cost be reduced.
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2- The **Operating Expenses** are increasing with the growth in sales volume. The companies should introduce system of **Internal Control** by which this can keep a check on operating expenses. In order to reduce the Operating Expenses further, it is suggested that the existing **expanded capacity** of the companies should be **utilized fully** so that the Operating Expenses could further be minimized. The Management of the companies should exercise **control** over operating expenses.

**Recommendations for Efficiency of MSIL & HMIL**

1- In MSIL and HMIL **Fixed Assets Turnover Ratio** was lower than the standard norms of 5 to 6 times in some years, which indicates sufficient **idle capacity**. It is suggested that immediate steps be taken by the companies to utilize their resources. Hence, in order to achieve financial viability of the fixed assets in the companies, it is suggested that the companies should make **optimum utilization** of its fixed assets in a profitable manner.

3- The conclusion indicates that **HMIL didn’t use** the **inventory** very effectively. There was an increasing trend in the closing inventory of finished goods and work in progress and this position indicates that the company was not able to sell its product in the market and as such inventories were increasing. It shows that apart of working capital remained idle which could have otherwise been utilized profitably. Secondly, it reveals **inefficient inventory control** in the company. However the companies are advised to keep the stock at minimum necessary level.

4- **MSIL** should try to reduce its debtors because **Debtor Turnover Ratio of MSIL** was lower in comparison to HMIL. HMIL has proved better managed company in recovering its debtors.

5- There was a **fluctuating trend** in the **Working Capital** of MSIL because the working capital in terms of sales could not justify its size. Hence it is suggested that accurate forecasting of working capital should be encouraged to the possible extent so that the companies might enhance its profitability.
Recommendations for Leverage of MSIL & HMIL

1. The main sources of funds especially Borrowed Funds and Investments need to be effectively managed so as to enhance the profitability in the companies. Similarly, Capital Expenses needs to be properly planned and effectively managed so as to justify its expansion.

2. The companies in future should raise funds for further expansion/diversification purpose from long term borrowings instead of Head Office Account. This can be done by issuing debentures and receiving more loans from banks and public. A strict vigilance should be observed to ensure that right funds are used for right purposes.

Recommendations for Market Valuation of MSIL & HMIL

1. In order to increase the market share, efforts should be made in the direction of reducing the cost of production; efforts should further be made in the direction of reducing cost of goods sold.

Other Recommendations for MSIL & HMIL

1. Although, the sales of the companies shows an increasing trends, but still it is strongly recommended that sales should be increased by applying new methods in the market for the purpose of rapid increase. Special market surveys be made in order to find out the avenues of pushing their goods.

2. MIS should be made more sound so that the implementation of top management decisions might be more effective and quicker at all levels so that the profitability of the companies might be strengthened by taking necessary action in time.

3. Modernization of Plant should be made by way of arranging funds at a concessional rate of interest or by bringing out initial public issue so as to minimize the wastage and enhance the profitability of the companies.
Summary: To sum up, the present study has thrown light on the various financial aspects of the companies. There are certain drawbacks which have been studied at the appropriate place; suggestions for improvement have also been submitted. It can be hoped that if the management tries to follow these suggestions some shortcomings which have been pointed out can certainly be removed. The researcher has tried her best to do justice with her study. Companies can improve their profitability in the coming future by working upon their shortcoming.

In view of the conclusions emerged out regarding the financial performance evaluation of MSIL and HMIL, it can be very safely said that efforts should be further made in the direction of achieving excellence in its working by translating the above suggestions into practice so that company stands to the forces of global competition.

The Researcher is sure that if these recommendations are given due consideration by the management of the companies, particularly accounting people, they will go a long way to improve the profitability and administration of the company. The researcher will be amply pleased and awarded if her findings and recommendations get due accolade by the Worthy Examiners, Professionals, Academicians, Practicing Managers. The research suggested few areas where there is a great potential for further research, which will benefit not only to bankers and industry but also the public at large.

Scope for further research:
The present study concentrated on the financial performance evaluation of MSIL and HMIL, the further research can be conducted on the following areas:-

1. Sample of only two companies has been taken into study it can be increased taking more companies from automobiles sector.

2. Performance evaluation in the case of finance only has been taken into consideration; it can be taken in the case of Human Resource to know the exact impact of profitability on their productivity.