CHAPTER VII

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

The research work has been carried on to analyse the financial performance of the selected automobile companies in India for a study period of ten years from 2005-06 to 2014-15. For this purpose, the researcher has selected top six automobile companies in India viz., Tata Motors Ltd., Mahindra and Mahindra Ltd., Maruti Suzuki India Ltd., Bajaj Auto Ltd., Ashok Leyland Ltd. and TVS Motor Company Ltd. Analysis of the research work has been divided into three such as Working Capital Performance, Long Term Financial Performance and Profitability Analysis. This chapter summarises the results of the study, offers suggestions and draws conclusion.

7.1 Summary of Findings

7.1.1 Growth of Automobile Industry

1. It was found that china stood first in automobile products during the period of ten years from 2005 to 2014. The calculated value of CAGR was 15.30 per cent. India stood at 6th rank in world automobile products during the period. In terms of growth rate, India was ranked second as shown by CAGR of 8.90 per cent.

2. It was found that number of automobile products by India Increased from 16,38,674 vehicles in 2005 to 38,44,857 vehicles in 2014.
3. It was evidence that total automobile products of India increased at high rates during 2009 – 10 and 2010 – 11.

4. It was found that growth rate of passenger vehicles and two wheelers increased considerably during the period.

5. It was found that growth rate of commercial vehicle production in India was comparatively lower than other type of vehicles.

6. Total sales of automobile products in India increased at high rate during 2009 – 10 and 2010 – 11.

7. It was found that growth rate of sales of three wheelers was lower than passenger vehicles and two wheelers.

8. It was observed that sales of commercial vehicles in India decreased at very high rate during the period. It went down by 15.99 per cent.

9. It was found that export of total automobile products increased substantially during the study period. It increased by 16.06 per cent.

10. The growth rate of export of three wheelers has more than other types of vehicles as per the results of CAGR (18.16).

7.1.2 Working Capital Performance

1. It was found that the current assets of Tata Motors Ltd. decreased during the study period, whereas, current liabilities increased considerably, its CAGR was 12.85 per cent. The working capital of Tata Motors Ltd. was negative during five years out of ten years of the study period.
2. It was observed that both current assets and current liabilities of Mahindra and Mahindra Ltd. increased during the study period, but the growth rate of current liabilities were more than the growth rate of current assets. The working capital of the company increased by 6.32 per cent during the study period.

3. The growth rate of current liabilities (17.36 per cent) of Maruti Suzuki India Ltd. was more than the growth rate of current assets (6.83 per cent). The working capital of the company drastically decreased during the study period. CAGR of working capital was -12.29 per cent.

4. The growth rate of the working capital of Bajaj Auto Ltd. was high, it was 14.84 per cent, since the growth rate of current assets (CAGR 12.35 per cent) was more than the growth rate of current liabilities (CAGR 7.65 per cent).

5. The working capital of Ashok Leyland Ltd. was negative during the last four years of the study period. Current assets of the company increased at a rate of 6.50 per cent, whereas, current liabilities increased at the rate more than the growth rate of current assets (CAGR 15.34 per cent).

6. The working capital of TVS Motor Company Ltd. was also negative during the last four years of the study period. Current assets of the
company increased at a rate of 10.34 per cent (CAGR), but current liabilities (CAGR 15.09 per cent) increased at the rate more than the growth rate of current assets.

7. It was found that the liquidity position in terms of current ratio was found to be good in case of Bajaj Auto Ltd. and Maruti Suzuki India Ltd. It was at satisfactory level for Mahindra and Mahindra Ltd. The current ratio of Ashok Leyland and TVS Motor Company was satisfactory during the first half of the study period and it was not good during the second half. The current ratio of Tata Motors Ltd. was good during the first two years of the study period and it was not good during the remaining period, especially during last four years it was found to be poor.

8. It was found that the liquidity position of Tata Motors Ltd. in terms of liquid ratio was not good, since the liquid ratio of the company was low. The liquid ratio of Mahindra and Mahindra Ltd. was found to be good during first five years and not so during rest of the period. It was observed that there was strong liquidity position of Maruti Suzuki India Ltd. in terms of liquid ratio during the study period. Bajaj Auto Ltd. had strong liquid position in terms of liquid ratio during the study period. the liquid position of Ashok Leyland Ltd. and TVS Motor Company Ltd. was not good in terms of liquid ratio.
9. It was observed that the liquidity position in terms of absolute ratio of was good in case of Maruti Suzuki India Ltd., Bajaj Auto Ltd. and Mahindra and Mahindra Ltd. of which Maruti Suzuki India Ltd. had excessive cash balance during the study period. Cash position ratios of TVS Motor Company Ltd., Ashok Leyland Ltd. and Tata Motors Ltd. were found to be poor during the study period. Wide deviation was found in the ratio for Ashok Leyland Ltd. and TVS Motor Company Ltd.

10. It was noted that efficiency in terms of utilization of current assets to increase sales was found to be high in case of TVS Motor Company Ltd., it was comparatively low in case of Ashok Leyland Ltd. and in case of other selected companies the ratio was found to be high.

11. It was found that the working capital turnover ratio of Mahindra and Mahindra Ltd., Maruti Suzuki India Ltd. and Bajaj Auto Ltd. were positive during all the years of the study period. It showed that efficiency of these companies were good in terms of utilization of their working capital to increase their sales. But the working capital turnover ratio of Tata Motors Ltd., Ashok Leyland Ltd. and TVs were negative during four years of the study period. It was because of the negative working capital during those years. Having negative working capital is not good and therefore these companies have to take steps to improve their working capital.
12. It was found that Loans and advances of Tata Motors Ltd. Occupied a major portion of its total current assets during first six years and during last four years the inventory occupied a major portion.

13. It was found that Mahindra and Mahindra Ltd. had more inventory on its total current assets.

14. It was observed that current investments of Maruti Suzuki India Ltd. occupied a major proportion on total current assets during last six years, during first two years cash and bank balances occupied major proportion.

15. It was noted that Loans and advances of Bajaj Auto Ltd. occupied a major portion on total current assets during the study period. In case of Ashok Leyland Ltd. and TVS Motor Company Ltd. inventory occupied a major proportion on its total current assets during the study period.

16. It was found that the percentage composition of finished goods was more on the total inventory of Tata Motors Ltd., Mahindra and Mahindra Ltd. and Bajaj Auto Ltd. The proportion of raw material was more on the total inventory of Maruti Suzuki India Ltd., Ashok Leyland Ltd. and TVS Motor Company Ltd. The proportion of work in progress was low in case of all selected automobile companies.
17. It was observed that the inventory turnover ratio of Bajaj Auto Ltd. was higher than the other selected companies followed by Maruti Suzuki India Ltd., it showed that efficiency of these companies was good in terms of inventory turnover. These companies had low proportion of inventory and sales were high. The inventory turnover ratio of Ashok Leyland Ltd. was lower than the other selected companies, it indicated that its efficiency in terms of inventory turnover ratio was not good. In case of other companies the ratio was at moderate level.

18. It was found that the efficiency of inventory management was good incase of Baja Auto Ltd. and Maruti Suzuki India Ltd., since their inventory conversion period was lower than one month. The inventory conversion period of Ashok Leyland Ltd. was around two months, it indicated that its inventory management in terms of inventory conversion period. In case of other selected companies the ratio was at moderate level.

19. It was evidenced that the proportion of debtors on sales of Ashok Leyland Ltd. was followed by Mahindra and Mahindra Ltd. In other words, credit sales of these companies were lower than other companies. It decreased the risk of bad debts and convenient cash rotation. Debtors turnover ratios of Bajaj Auto Ltd. and Maruti Suzuki India Ltd. were high, it indicated that the level of debtors on
sales was high. It was at moderate level in case of other selected automobile companies.

20. It was found that collection efficiency of the selected automobile companies was good during the study period, they were less than a month except Ashok Leyland Ltd. In particular, collection management of Maruti Suzuki India Ltd., Baja Auto Ltd., TVS Motor Company Ltd. and Tata Motors Ltd. was very good, since average collection period was very low. The average collection period of Ashok Leyland Ltd. was comparatively higher than the other selected companies, it was more than a month, so its collection efficiency was not as good as the other selected companies.

21. It was observed that the credit purchases of Tata Motors Ltd. and Ashok Leyland Ltd. were high and the credit purchase of Maruti Suzuki India Ltd. was lower than the other selected companies. Low level of credit purchase will reduce the risk of short term financial obligation and will help for strong liquidity.

22. It was noted that Tata Motors Ltd. and Ashok Leyland Ltd. managed their payments more efficiently than the other selected companies, since their average payments period was found to be high (in and around four months). Payments management of Maruti Suzuki India Ltd. and Bajaj Auto Ltd. was comparatively lower than the other selected companies, their mean value of average payments period was
less than two months. Low level of deviation was found in average payments period from its mean value in case of all selected companies.

23. It was found that cash management of Mahindra and Mahindra Ltd. was found to be good in terms of cash turnover ratio, since the cash turnover ratio of the company was low. Cash management in terms of cash turnover ratio was satisfactory in case of Tata Motors Ltd. and Bajaj Auto Ltd. Cash management in terms of cash turnover ratio was not good in case of TVS Motor Company Ltd. and Ashok Leyland Ltd., since they held low level of cash balance.

24. It was found that cash management of the selected automobile companies in terms of cash conversion cycle was efficient during the study period. The ratio was negative during the study period of all selected companies except during few years. It resulted in long average payments period and short average collection period.

25. It was observed that as per the results of Y-score model, working capital management of Mahindra and Mahindra Ltd., Maruti Suzuki India Ltd., Bajaj Auto Ltd. and TVS Motor Company Ltd. was good, since during all the years of the study period their overall Y-score was more than the standard norm. In case of Ashok Leyland Ltd., the overall score was more than the standard norm during nine years out
of ten years of the study period, hence their efficiency of working capital management was good during the study period except during 2013-14. In case of Tata Motors Ltd., overall score of Y-score was good during five years of the study period, but it was not so during rest of the years.

7.1.3 Long Term Financial Performance

1. It was found that shareholders fund and current liabilities occupied the major portion of the total liabilities of Tata Motors Ltd. and Ashok Leyland Ltd. Other liabilities were the least occupied on total liabilities. The shareholders fund occupied a major portion on the total liabilities of Mahindra and Mahindra Ltd., Maruti Suzuki India Ltd. and TVS Motor Company Ltd. Percentage composition of shareholders fund was gradually increasing in case of Bajaj Auto Ltd.

2. It was observed that the shareholders fund of Tata Motors Ltd. met high growth during the study period. Reserves of Tata Motors Ltd. increased by 10.61 per cent during the study period. The shareholders fund of Mahindra and Mahindra Ltd. also increased drastically during the study period. The growth rate of reserves of the company was several times more than the growth rate of share capital. The shareholders fund of Maruti Suzuki India Ltd. increased substantially during the study period, whereas the share capital increased at very
low rate. The shareholders fund increased considerably in case of Bajaj Auto Ltd., the growth rate of share capital was more than the growth rate of reserves of the company. The shareholders fund, share capital and reserves of Ashok Leyland Ltd. and TVS Motor Company Ltd. met considerable growth during the study period.

3. It was evidenced that the total loans of Tata Motors Ltd. increased drastically during the study period. Loan of the company increased around four times during the study period. Total loans of Mahindra and Mahindra Ltd. increased during the study period. Loans of the company increased more than three times during the study period. The total loan of Maruti Suzuki India Ltd. increased considerably during the study period. Secured loan of the company increased during the study period at low rate, it met high level of fluctuation during the study period. The total loan amount of Bajaj Auto Ltd. drastically decreased during the study period. Secured loan of the company increased drastically during the study period. The total loans of Ashok Leyland Ltd. increased during the study period. Loans of the company increased more than three times during the study period. Secured loan of the company increased at the rate more than the growth rate of unsecured loan. The total loans of TVS Motor Company Ltd. fluctuated during the study period. Low level of growth was found in total loan. Unsecured loan of the company
increased substantially during the study period, whereas, secured loan decreased during the study period.

4. It was observed that during the first three years, the current assets of Tata Motors Ltd. Occupied a major portion of its total assets and during 2008-09 and last four years fixed assets occupied the major portion, during 2009-10 and 2010-11 long-term investments occupied major portion of total assets of the company.

5. It was observed that the current assets occupied a major portion on the total assets during eight years of the study period followed by long term investments of Mahindra and Mahindra Ltd.

6. The results also showed that the company had high value of current assets during the study period. Its proportion on total assets was more than any other type of assets. Fixed asset was the another asset, which had a considerable portion on total assets of Maruti Suzuki India Ltd.

7. It was observed that out of ten years of the study period, in five years current assets had high proportion on total assets and during other five years long term investments of Bajaj Auto Ltd. Had low proportion during the study period.

8. The results showed that the company had high value of fixed assets during seven years of the study period and during first three years the
value of current assets was high. Long term investments and other assets had low proportion on total assets of Ashok Leyland Ltd.

9. The results showed that the company had high value of fixed assets during five years and current assets of TVS Motor Company Ltd. were high during other five years of the study period.

10. It was found that Maruti Suzuki India Ltd. used more own fund in its business than borrowed fund, since its debt equity ratio was very low followed by Bajaj Auto Ltd. The mean value of their debt equity ratio was 0.10 and 0.31 respectively. Debt fund was more in capital structure of Tata Motors Ltd. and TVS Motor Company Ltd., especially, in some years debt fund was more than own capital. In case of other selected companies the capital structure was at normal level. Low level of deviation was found in the ratio from its mean value in all selected companies except Maruti Suzuki India Ltd. and Bajaj Auto Ltd.

11. It was evidenced that the capital turnover ratio of TVS Motor Company Ltd. was better than other selected companies, the mean value of capital turnover ratio of the company was 5.23 times. The capital turnover ratio of other selected companies was also more than two, hence they also utilized their capital efficiently, but not as TVS Motor Company Ltd. Low level of deviation was found in the ratio
from its mean value except Bajaj Auto Ltd., in this case there was moderate level of deviation was found.

12. It was noted that the proprietary ratio of Maruti Suzuki India Ltd. was found to be good. The ratio was high, since it mostly depended on own fund for financing its total assets. Hence, its long term financial performance was good in terms of proprietary ratio. The proprietary ratio of Bajaj Auto Ltd. and Mahindra and Mahindra Ltd. was found to be moderate and therefore their financial position in terms of proprietary was satisfactory. In case of Tata Motors Ltd., Ashok Leyland Ltd. and TVS Motor Company Ltd., the proprietary ratio was found to be low, they mostly depended on debt fund for financing their assets, hence, their long term financial position in terms of proprietary was not good.

13. It was found that the long term financial position in terms of debt to total assets ratio of Maruti Suzuki India Ltd. was good, since its debt fund was low. It was not good in case of Tata Motors Ltd., TVS Motor Company Ltd. and Ashok Leyland Ltd., since their borrowed fund was more for financing total assets of the company. Low level of deviation was found in the ratio from its mean value in case of all the selected automobile companies.

14. It was observed that the efficiency of utilization of the fixed assets of Bajaj Auto Ltd. was good during the study period, since its fixed
assets turnover ratio was good followed by Mahindra and Mahindra Ltd., TVS Motor Company Ltd. and Maruti Suzuki India Ltd. The ratio was found to be low in case of Ashok Leyland Ltd. and Tata Motors Ltd., it indicated that efficiency of these companies were not good in utilization of fixed assets in terms of increase of sales.

15. It was evidenced that financial performance under Altman’s Z-score model was good in case of Maruti Suzuki India Ltd., since the calculated value of z-score was more than the standard norm during all the years of the study period. The calculated value of Z-score of Mahindra and Mahindra Ltd. was more than the standard norm (2.99) during eight years and it was more than the standard norm during eight years in case of Bajaj Auto Ltd. and TVS Motor Company, since their financial performance was satisfactory. The financial performance of Tata Motors Ltd. and Ashok Leyland Ltd., was good during four years, since their z-score was more than the standard norm during four years and during five years it was at grey zone and in one year it was poor.

7.1.4 Profitability Analysis

1. It was found that the sales value of Mahindra and Mahindra Ltd. increased at high rate during the study period followed by Maruti Suzuki India Ltd. and TVS Motor Company Ltd. Sales of Bajaj Auto Ltd. and Ashok Leyland Ltd. increased at normal rate during the
study period, whereas, sales of Tata Motors Ltd. increased at very low rate during the study period.

2. It was found that the net profit of Mahindra and Mahindra Ltd., Maruti Suzuki India Ltd. and TVS Motor Company Ltd. increased considerably during the study period. But the net profit of Tata Motors Ltd. met very high decline during the study period, especially during 2014-15, the net profit of the company met very high rate of decline. The net profit of Ashok Leyland Ltd. increased at very low rate and growth rate of net profit of Bajaj Auto Ltd. was considerable.

3. It was observed that the profitability of Bajaj Auto Ltd. was found to be good during the study period, since the net profit ratio of the company was higher than other selected companies followed by Mahindra and Mahindra Ltd. Profitability of Tata Motors and TVS Motor Company Ltd. was low as shown by the results of net profit ratio.

4. It was found that the operating performance in terms of operating profit ratio of Bajaj Auto Ltd. was comparatively good followed by Mahindra and Mahindra Ltd. and Ashok Leyland Ltd. But the operating efficiency of TVS Motor Company Ltd. and Tata Motors Ltd. was not satisfactory, since their operating profit ratio was low.
5. It was evidenced that the profitability in terms of return on assets of Bajaj Auto Ltd. was found to be good, since its return on assets ratio was high (56.86 per cent) followed by Mahindra and Mahindra Ltd. (24.74 per cent) and Maruti Suzuki India Ltd. (24.35 per cent). The ratio of return on assets of Tata Motors Ltd. was very low (5.27 per cent), hence profitability in terms of return on assets of the company was not good followed by Ashok Leyland Ltd. and TVS Motor Company Ltd.

6. It was found that the ratio of return on investment of Bajaj Auto Ltd. was very high among selected companies, hence its profitability was good followed by Ashok Leyland Ltd. and Mahindra and Mahindra Ltd. Investors of these companies earned return at the rate more than normal rate of return. Return on investment of Tata Motors Ltd. was found to be low, return on investment of the company was less than the normal rate of return during many years of the study period. Hence, its profitability condition was not good. Return on investment of Maruti Suzuki India Ltd. and TVS Motor Company Ltd. was at normal level and therefore their profitability was satisfactory during the study period.

7. It was observed that the profitability in terms of earnings per share of Bajaj Auto Ltd. was found to be good during the study period, its EPS was Rs.95.38 followed by Maruti Suzuki India Ltd. (₹ 71.37)
of these companies are getting more return on their investment. Earning per share of Ashok Leyland Ltd. and TVS Motor Company Ltd. was found to be low during the study period. It shows that profitability of these companies in terms of EPS was not good during the study period. The EPS of Tata Motors Ltd. was at normal level, but the EPS of the company was good during first six years and poor during last four years of the study period.

8. It was found that material expenses of all the selected automobile companies were higher than other expenses ratio. In and around, three fourth of total sales value was spent towards material by all companies. Employees expenses ratio of Ashok Leyland Ltd. was higher than other selected companies followed by Mahindra and Mahindra Ltd. This ratio was lower in case of Maruti Suzuki India Ltd. Than the other selected companies followed by Bajaj Auto Ltd. Freight expenses ratio of TVS Motor Company Ltd. was more than other companies followed by Ashok Leyland Ltd., whereas it was lower in case of Maruti Suzuki India Ltd. than other companies. Interest expenses ratio of Tata Motors Ltd. was higher than the other selected companies followed by Ashok Leyland Ltd., whereas it was lower in case of Bajaj Auto Ltd. followed by Maruti Suzuki India Ltd. Power and fuel expenses ratio of TVS Motor Company Ltd. was
more than the other selected companies followed by Tata Motors Ltd. and it was less than one per cent in case of other selected companies.

7.2 Suggestions

The study offers the following suggestions on the basis of findings of the study.

1. The working capital of Tata Motors Ltd., Ashok Leyland Ltd. and TVS Motor Company Ltd. was found to be negative during last four years of the study period. Having negative working capital is not preferable, hence, these companies may improve their working capital to bring into positive either by reducing their current liabilities or by increasing current assets.

2. The absolute liquid ratio of Tata Motors Ltd., Ashok Leyland Ltd. and TVS Motor Company Ltd. was found to be very low in some years of the study period; it indicated holding low amount of cash balance, but this position is not good to meet out their short term financial obligations. Hence, these companies are suggested to hold sufficient cash balance in hand or bank, for improving their liquidity.

3. The average collection period of Ashok Leyland Ltd. was comparatively higher than the other selected companies; it is suggested to the company that it must reduce the average collection period in order to improve its liquidity position further.
4. It was found that the debt fund of Tata Motors Ltd. and TVS Motor Company Ltd. was found to be more than the other selected companies. Having more debt fund will lead to more financial expenses by way of interest charges. It will decrease profit of the company and will increase long term risk. Hence, these companies may decrease their debt level.

5. It was found that the ratio of fixed assets turnover ratio was low in case of Ashok Leyland Ltd. and Tata Motors Ltd.; it indicated that efficiency of these companies was not good in utilization of the fixed assets in terms of increase of sales. Hence, these companies may try to utilize their fixed assets more efficiently to increase their sales.

6. It was observed that the net profit of Tata Motors Ltd. met very high decline during the study period. The net profit of Ashok Leyland Ltd. increased at very low rate. Increase of net profit will increase market value of shares and will increase shareholder’s wealth. Hence, these companies are suggested to concentrate to increase their profit level, either by reducing their expenses or by the increase of sales revenue.

7. It was observed that the operating ratio of all the selected automobile companies except Ashok Leyland Ltd. was lower than net profit ratio. It indicated that a considerable portion of income of these companies is helped by non-operating income. It shows lower operating
efficiency of these Companies. These companies are suggested to concentrate on improving their operating efficiency.

8. It was found that the return on investment of Tata Motors Ltd. and TVS Motor Company Ltd. was less than the normal rate of return; it will decrease the interest of investors in investing on these companies. Hence, these companies are suggested to increase the return on investment by improving their profit.

7.3 Conclusion

Automobile industry is one of the key industries in a country’s economy. It produces vehicles, which help the people to move from one place to another place and transportation of goods, it helps the economy to a larger extent. Indian automobile industry is one of the biggest industries in the world. The present research has been undertaken to analyse the financial performance of the selected automobile companies in India. For this purpose, the researcher has selected six automobile companies for the study period of ten years from 2005-06 to 2014-15. The researcher has found that Mahindra and Mahindra, Maruti and Bajaj Auto Ltd. had positive working capital during all the years of the study period, where as Ashok Leyland and TVS Motor Company had negative working capital in four years and Tata Motors had negative working capital in five years. Liquidity position was found to be good in case of Bajaj Auto Ltd. and Maruti Suzuki India Ltd. It
was at satisfactory level for Mahindra and Mahindra Ltd. In case of Ashok Leyland and TVS Motor Company, it was satisfactory during first half of the study period.

The study also has found that the financial performance under Altman’s Z-score model was good in case of Maruti Suzuki India Ltd., since the calculated value of Z-score was more than the standard norm during all the years of the study period. The calculated value of Z-score of Mahindra and Mahindra Ltd. was more than the standard norm (2.99) during eight years and it was more than the standard norm during eight years in case of Bajaj Auto Ltd. and TVS Motor Company, since their financial performance was satisfactory. Financial performance of Tata Motors Ltd. and Ashok Leyland Ltd., was good during four years, since their Z-score was more than the standard norm during four years, and during five years it was at grey zone and in one year it was poor. Profitability of Bajaj Auto Ltd. was found to be good during the study period followed by Mahindra and Mahindra Ltd. Profitability of Tata Motors and TVS Motor Company Ltd. was low as shown by the results of the net profit ratio. Return on investment of Bajaj Auto Ltd. Ashok Leyland Ltd. and Mahindra and Mahindra Ltd. Was high Return on investment of Tata Motors Ltd. was found to be low and it was at moderate level in case of other selected companies.
7.4 Scope for Further Research

Future researchers may conduct research on the following proposed areas:

1. A comparative research may be undertaken between financial performance of passenger car manufacturers and commercial vehicle manufacturers.

2. A study on complete operating performance may be undertaken on top automobile companies in India.

3. A study may be undertaken to analyse two wheeler manufacturers in India.