

Financial Performance of Tata Motors and Maruti Suzuki Automobile Industry of India

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Abstract – In India and in the global economy the automotive industry is the dominating player. The industry has a high multiplier impact on industrial development due to its forward and backward ties with many important sectors of the economy. Over the years, the industry has evolved to face the most diverse difficulties of transition, consolidation and restructuring and therefore adapt to the new market environment. This paper analyzes financial performance of Tata Motors and Maruti Suzuki, two large car firms from India, after a liberalization policy and shows both businesses' liquidity, effective use of assets and profitability in the financial strengths of their comparative financial strength.

Keywords – Financial Performance, Tata Motors, Maruti Suzuki, Automobile Industry

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INTRODUCTION

In recent years, the Indian car sector has been growing considerably and has played an important role in India's GDP. Currently, the sector contributes for nearly 7 percent of GDP and works directly and indirectly for around 19 million workers. Under the 2006-2016 automotive mission plans, the contribution to GDP of the automotive industry is projected to quadruple by 2016 with government support and a particular emphasis on exports. It is essential to note that the financial success of firms in this industry depends on this expanding sector. The current research examines the financial strength of two large businesses of Indian heritage. The main purpose of financial analysis of firms is to evaluate the performance of the studied firms in several areas, including their resources, their ability to earn profit or their fair returns on investments, their ability to meet obligations, the value of their assets, the scope and nature of their liabilities, etc.

It helps enhance infrastructure such as electricity, rail and road transit in the automotive industry. The automotive sector has a significant multiplier impact on a country's development, due to its deep forward and retroactive connections with many important areas of the economy and therefore may be the driving force behind economic expansion. In the development of the transport sector on the one hand, it plays an important catalyst and helps the industry to grow quicker and therefore create substantial jobs. In Germany, cars have grown considerably over the years and have made an important contribution to

total industrial development in India. In India, the car industry has grown tremendously. Over the years, the standards on the manufacturing of cars for foreign investment and import of technology have also been liberalized. Currently 100 percent of direct foreign investments, including passenger vehicle, are allowed via the automatic method in the industry.

In the past year, even after the economic crisis, the Indian car sector was in excellent condition. This was mainly owing to the increased attention of multinational car operators such as Nissan Motors, who see India as a viable market. 7.1% of the gross domestic product is manufactured by the industry. Due to its increasing middle and youthful population, the two-wheeler sector with a market share of 80 percent is the market leader in India's auto industry. In addition, businesses' increased interest in exploring rural areas further helped the industry expand. The total market share of Passenger Vehicles (PV) is 14%.

REVIEW OF LITERATURE

Neha Mittal (2018) studies the selection of the Indian chosen sectors for capital structure determination. The primary goal is to examine if and to what extent the main structural theories can explain the choices of Indian businesses' capital structures. Multiple regressive models have been applied to chosen sectors by collecting data from 2009-2017. On the basis of a regression analysis and data research, it analyzes the significance of capital structures in

chosen Industries. It finds that agency costs, asset structure, non-debt tax screen and dimensions are the major factors influencing the capital structure of businesses in India. The coefficients of these variables are significant at 1% and 5%.

Sheela Christina (2017) conducting Wheels India Limited-financial Chennai's performance research. The study is based on the secondary data collecting technique for analytic kind of research design. The researcher also collected data from the last five years for this reason and before performing the study he verified the validity and reliability. The investigator utilized the following financial techniques: ratio analysis, benchmarking and DuPont analyzes, as well as statistical tools such as trend analysis and correlations. In the previous financial year, profitability measures show a decline in the profit level, use of fixed assets, and working capital. The business may thus take the measures required to enhance sales and profit. Finally, the research shows that the financial performance is successful.

Kumar Mohan M.S, Vasu. V. and Narayana T. (2016) the research was conducted utilizing a distinct ratio, average, standard deviation and Altman's Z score method in order to investigate business financial health. The research shows that there is a positive relationship between liquidity and profitability measures with the exception of the return on total assets.

Jothi, K. & Geethalakshmi, A. (2016) this research attempts, by use of statistical techniques such as, ratio analysis, mean, standard deviations, correlation, to assess the profitability and financial condition of chosen Indian car sector firms The research shows the favorable connection between short-term profitability and long-term capital.

Kumar Neeraj & Kaur Kuldeep (2016) tried to examine the Indian automotive industry's scale and profitability connections. For 1998 to 2014, both linear and cross-sectional relationship regression were analyzed. Two separate measures have been used for profitability analysis (a) the profit to turnover ratio (ii) the net revenue to net assets plus operating capital, and two indicators have been applied in form, namely, the total sales return and the net assets. for profitability analysis The time series study revealed a positive connection between corporate size and profitability but there were no cross-sectional connections between business size and profitability.

Takeh Ata & Navaprabha Jubily (2015) the author has created a model to describe the impact of the capital structure on financial performance, i.e. the financial capital structure is an independent variable that measure its value by four ratios, namely, financial debt, the total debt, the total asset debt and the interest coverage ratio. The investigator has chosen 13 main steel industries and used many statistical techniques for the hypothesis test with the

aid of SPSS22, including standard deviation, correlation matrix, anova etc.

Krishnaveni, M. & Vidya, R (2015) in order to examine standard current ratios of automakers and four sectors, such as engine components, lights, gearboxes and annexes, the Author chose 87 businesses from 242 in the database of capital line companies with standard standards. The research shows that the current and liquidity ratios of the car industry are matched by the tractor sector and that the four sectors are combined with other industries.

Agarwal, Nidhi (2015) Maruti Suzuki and Tata engines Ltd. concentrate the research on comparative financial performance. The financial statistics and information needed for the research are derived from the different company annual reports. Both companies are analyzed for liquidity and leverage. Four ratios, namely capital gain, debt equity, total debt, and proprietary proportions, are included in the analysis of the leverage situation. The findings indicate that Tata engine site Ltd must expand the ownership fund part of the company to enhance solvency position in the long run.

Kumar Sumesh & Kaur Gurbachan (2014) automotive industry is the global economy's leading participant. The Indian car sector has emerged as a significant contributor of Indian GDP after liberalisation. The research found that the means score for the different financial measures of Maruti Suzuki and Tata engines does not reveal significant differences in effectiveness of both the companies' efficiency in fulfilling their long-term commitments and the effectiveness of their assets.

Dharmaraj, A. and Kathirvel N. (2013) an overview of the new 1991 industrial policy legislation allowing 100% foreign direct investment has been examined. An effort is made to determine the impact of FDI on automotive sector financial performance. The conclusion is that the cash ratios demonstrate little changes, and that profitability during post-FDI compared to pre-FDI has shown a rising tendency. The FDI efficiency ratio demonstrates that businesses use available resources effectively.

Hotwani Rakhi (2013) in the context of Tata Motors' sales and profitability during the last 10 years, the author reviews the profitability position and the development of the business. The data is examined by means of ratios, standard deviations and variance coefficients. The research shows that there is no significant connection between business sales and profitability.

Singh Amarjit & Gupta Vinod (2012) overview of the car industry examined. As a manufacturing center for the Indian automotive industry, many joint ventures have been established in India with international cooperation. SWOT analysis made The automotive industry faces a lot of challenges

and some innovative key features are keyless access, enhanced driving control electrically controlled mechanisms, soft-feeling interiors, and also a focus on fuel efficiency, emission reductions security and durability in the future.

Zafar S. M. Tariq & Khalid S.M (2012) the research examines the calculation of ratios from financial statements produced in accordance with depreciation rules and management's inventory value policies. Ratio is a basic comparison between the numbered and a denominator that cannot provide a whole and accurate business picture. Results are altered and also other variables that influence promoters' performance cannot be emphasized.

OBJECTIVES OF THE STUDY

- 1) To compare the ability of the companies to meet short term financial obligations.
- 2) To compare the working capital requirements, long term solvency, profitability.

DATA COLLECTION

The data needed to analyze and compare the data is gathered in a secondary way through many reports of Indian Auto Manufacturers' Society (SIAM). The necessary finances and statistics are derived from Tata Motors and Maruti Suzuki's different annual reports.

HYPOTHESIS OF THE STUDY

The following null hypotheses were discovered by the researchers.

H0 -The average score of Maruti Suzuki and Tata Motors over the period 1997-2019 would not vary significantly

DATA ANALYSIS

Financial information was collected from varying annual reports by the under study businesses in order to compare the performance of Tata Motors and Maruti Suzuki. The ratios have been split into the various parts presented in the following table to make the financial analysis more effective.

Type	Sr. No.	Ratio	Formula
Liquidity Ratio	1	Current Ratio	Current Assets/Current Liabilities
	2	Quick Ratio or Liquid Ratio or Acid Test Ratio	Quick Assets/Current Liabilities
Leverage Ratio	1	Debt-Equity Ratio	Long Term Debt/Share Holder's Fund
	2	Proprietary or Equity Ratio	Shareholder Funds/Total Assets
Profitability Ratio	1	Gross Margin/Gross Profit	Gross Profit/Net Sale
	2	Net Profit Margin Ratio	Net Profit/Net Sale
Turnover Ratio	1	Fixed Assets Turnover Ratio	Net Sale/Net Fixed Assets
	2	Capital Employed Turnover Ratio	Net Sale/Capital employed

Diverse financial ratios were evaluated and the averages calculated on 20, one-year figures for the two businesses to determine the financial performance and profitability of the undertakings studied. The averages were compared to determine if there was a statistically important change in the financial performance of student businesses over time.

Year	Current Ratio Comparison		Quick Ratio Comparison		Debt Equity Ratio Comparison		Equity Ratio Comparison		Gross Profit Margin Ratio		Net Profit Margin Ratio		Fixed Assets Turnover Ratio		Capital Employed Turnover Ratio	
1997-98	1	2	1	2	1	2	1	2	1	2	1	2	1	2	1	2
1998-99	0.92	1.85	0.65	1.21	1.03	1.69	0.49	0.37	0.07	0.1	0.04	0.03	2.52	2.92	2.43	1.39
1999-00	0.75	1.48	0.52	1.01	0.65	0.81	0.61	0.55	0.08	0.13	0.08	0.07	3.62	3.6	2.87	1.89
2000-01	0.67	1.39	0.32	0.98	0.29	0.53	0.77	0.65	0.14	0.13	0.09	0.08	4.34	3.58	3.48	1.91
2001-02	1.1	2	0.65	1.52	0.06	0.7	0.93	0.59	0.14	0.14	0.09	0.09	5.55	3.34	3.56	1.45
2002-03	1.15	2.2	0.74	1.68	0.04	0.88	0.90	0.53	0.16	0.09	0.11	0.05	5.94	1.85	2.74	0.91
2003-04	1.52	1.46	1.14	1.18	0.04	0.92	0.96	0.52	0.13	0.05	0.09	0.02	4.15	1.41	2.16	0.79
2004-05	1.42	1.35	0.72	0.91	0.19	0.8	0.84	0.56	0.06	0.09	0.05	0.01	2.9	2.21	2.02	1.3
2005-06	1.78	1.06	1.09	0.63	0.42	0.92	0.7	0.52	-0.04	0.06	-0.04	0.01	2.57	2.11	1.79	1.29
2006-07	1.44	1	0.98	0.64	0.24	0.94	0.8	0.52	0.02	0.09	0.01	0.01	2.82	2.56	2.1	1.86
2007-08	1.88	0.87	1.55	0.54	0.15	0.56	0.82	0.62	0.04	0.13	0.02	0.03	3.2	2.7	1.93	2.19
2008-09	1.32	0.79	1.03	0.55	0.09	0.35	0.88	0.67	0.08	0.1	0.06	0.06	4.9	4.07	2.29	2.46
2009-10	1.85	1.08	1.43	0.84	0.07	0.61	0.91	0.57	0.17	0.13	0.08	0.07	5.7	4.71	2.27	2.43
2010-11	1.89	1.37	1.44	1.08	0.01	0.53	0.97	0.61	0.17	0.14	0.1	0.07	6.72	4.57	2.14	2.27
2011-12	1.53	1.36	1.25	1.04	0.09	0.58	0.9	0.59	0.18	0.13	0.11	0.07	5.01	4.3	1.91	2.36
2013-14	1.1	0.97	0.73	0.75	0.11	0.8	0.89	0.52	0.18	0.12	0.1	0.07	4.43	2.75	1.88	1.9
2014-15	1.62	0.89	1.36	0.69	0.07	1.08	0.92	0.46	0.12	0.1	0.06	0.04	4.13	1.76	2	0.97
2015-16	1.06	0.66	0.72	0.5	0.07	1.11	0.93	0.45	0.15	0.17	0.09	0.06	5.35	2.17	2.26	1.08
2016-17	2.39	0.87	2.04	0.63	0.01	0.79	0.75	0.53	0.09	0.1	0.06	0.04	5.61	2.74	1.95	1.26
2017-18	1.69	0.62	1.42	0.41	0.07	0.57	0.68	0.36	0.06	0.04	0.05	0.02	4.27	2.83	1.56	1
2018-19	1.6	0.48	1.33	0.27	0.07	0.75	0.7	0.37	0.07	0.01	0.06	0.01	3.74	2.22	1.6	0.86

The chart above displays several financial measures over the 20-year period (1997-2019). Under several headings, 1 showed Maruti Suzuki's 1992-2013 financial ratios, whereas 2 showed Tata Motors' financial ratios.

ANALYSIS AND INTERPRETATION BY USING RATIO ANALYSIS:

The present report, Current Ratio (CR), Quick Ratio (QR) has been re-calculated to analyze corporate liquidity. The gross margin ratio and net profitability ratio is computed in order to know profitability in the current research. In order to learn about the financial efficiency of businesses the Corporate Asset Turnover Rate (FATR) and the Employed Capital Turnover Ratio (WCTR) are developed. The debt – equity ratio (DER) and equities ratio is computed to assess the long-term solvency condition of the car businesses. The corresponding 'Not' test statistics are compiled from the data and then compared to their 'T'-spreading of 5% in order to accept or reject the zero-hypothesis.

ANALYSIS OF MARUTI SUZUKI & TATA MOTORS AUTOMOBILE COMPANIES WITH Student's TEST

CATEGORY	VARIABLES	MEAN		STANDARD DEVIATION		p-VALUE
		MARUTI SUZUKI	TATA MOTORS	MARUTI SUZUKI	TATA MOTORS	
Liquidity Ratio	Current Ratio	1.46	1.22	0.43793	0.47952	0.10079
	Quick Ratio	1.06	0.86	0.41512	0.35948	0.11382
Leverage Ratio	Debt Equity Ratio	0.26	0.85	0.39242	0.36716	0(sig)
	Proprietary or Equity Ratio	0.80	0.52	0.15978	0.095	0(sig)
Profitability Ratio	Gross Margin/gross profit margin	0.10	0.10	0.06066	0.0381	0.85607
	Net Profit Margin Ratio	0.06	0.04	0.03735	0.02711	0.05457
Turnover Ratio	Fixed assets turnover	4.30	2.91	1.22752	0.93701	0.00019(sig)
	Capital employed turnover ratio	2.22	1.55	0.545	0.56761	0.0004(sig)

The table illustrates variations in Maruti Suzuki and Tata Motors' liquidity ratios. The Tata engines average is smaller than the Maruti Suzuki ratios except for the indebtedness ratio and the gross margin ratio. The Table indicates that the t-value of debt-equity ratio, equity ratio, fixed asset turnover ratio and the turnover ratio of capital used are significant, therefore rejecting null hypotheses and significantly influencing those ratios among those two businesses. The null hypothesis is that the current ratio, quick ratio, the gross profit margin ratio and the net profit ratio do not vary in the ratios.

CONCLUSION

After examining financially both the businesses we get to the conclusion that the short-term solvency and liquidity and profitability of the companies vary only little. The longer-term solvency of the two companies is different, as the t values of the ratio of debt and equity are important, which indicates that both companies fulfill their long-term bond and long-term solvency different. As the comparison between the companies reveals the substantial difference in efficiency between both companies, the efficiency of the use of assets is equally unlike the two businesses.

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