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PROFITABILITY ANALYSIS OF SELECTED AUTOMOBILE COMPANIES IN INDIA

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ABSTRACT :

The automobile industry in India is one of the largest in the world with an annual production of 23.37 million vehicles in FY 2014-15, following a growth of 8.68 per cent over the last year. The automobile industry accounts for 7.1 per cent of the country's Gross Domestic Product (GDP). The research paper mainly focuses on analyses of profitability of selected automobile companies in India during period of 2012 to 2016, the tools used for analysis are mean, standard deviation, coefficient of variation and compound annual growth rate, the study found that the profitability position of Bajaj Auto is satisfactory when compare to other companies.

KEYWORDS: automobile industry, economy, providing employment.

INTRODUCTION:

India's automobile industry is playing an important role of its economy, providing employment to more than a million people, directly or indirectly. The Two Wheelers segment, with 81 per cent market share, is the leader of the Indian Automobile market, owing to a growing middle class and a young population. Moreover, the growing interest of companies in exploring the rural markets further aided the growth of the sector. The overall Passenger Vehicle (PV) segment has 13 per cent market share. India is also a prominent auto exporter and has strong export growth expectations for the near future. In FY 2014-15, automobile exports grew by 15 per cent over the last year. In addition, several initiatives by the Government of India and the major automobile players in the Indian market are expected to make India a leader in the Two Wheeler (2W) and Four Wheeler (4W) market in the world by 2020. The industry produced a total 14.25 million vehicles including PVs, commercial vehicles (CVs), three wheelers (3W) and 2W in April–October 2015, as against 13.83 in April–October 2014, registering a marginal growth of 3.07 per cent, year-to-year. The sales of PVs grew by 8.51 per cent in April–October 2015 over the same period in the previous year. The overall CVs segment registered a growth of 8.02 per cent in April–October 2015 as compared to same period last year. Medium & Heavy Commercial Vehicles (M&HCVs) registered very strong growth of 32.3 per cent while sales of Light Commercial Vehicles (LCVs) declined by 5.24 per cent during April–October 2015, year-to-year. In April–October 2015, overall automobile exports grew by 5.78 per cent. PVs, CVs, 3Ws and 2Ws registered growth of 6.34 per cent, 17.95 per cent, 18.59 per cent and 3.22 per cent, respectively, in April–October 2015 over April–October 2014.

OBJECTIVES OF THE STUDY

1. To assess the profitability position of selected automobile companies in India.
2. To examine the growth of selected automobile companies in India.

REVIEW OF LITERATURE

Mr. Mohan Kumar M S and Mr. Safeer Pasha M (2015) in their paper "Profitability analysis of select cement companies in India" the main objective of this research paper is to analyze the profitability position of the selected cement companies for 10 years (2005-2014). The study based on the secondary data, the tools used for analysis are Mean, Standard deviation, co-efficient of variation and compound annual growth. The study ascertains the Ambuja cement Company shows satisfactory performance in concern with profitability.

Dr. M. Thyagarajan and Mr J. Uday Kumar (2015) in their paper "Profitability analysis of select aluminum companies in India" the main objective of this research paper is to analyse the profitability position of the selected aluminum companies for 10 years (2005-2014). The study based on the secondary data, the tools used for analysis are Mean, Standard deviation, co-efficient of variation and compound annual growth. The study ascertains the National Aluminum Company Limited shows satisfactory performance in concern with profitability

Dr. Shishir Pandey and Vikas Kumar Jaiswall (2014) in their paper "Comparative Study of Profitability Analysis of Indian Aluminum Industries between public and private sector" the main objective of this research paper is to analysis the profitability position of the selected Aluminium companies for 5 year (2008-2014).the study based on the secondary data the tools used for the analysis is different profitability ratio and regression analysis, the study found that Aluminium industries in India shows Satisfactory performance in concern with profitability.

Dr Pratibha Jain & Prof. Megha Mehta (2013) In their study on financial performance of automobile companies finds that Hero Honda company performed well because of its usage of latest technology and Tata motors weak performance due to increased manufacturing overheads and company's inability to face competition.

Dr. Nabi Rasool et al. (2013) in their study identified that Net profit; EPS & Return on total assets are the responsible factors which will have significant influence on ROE of the companies Even that some authors

METHODOLOGY

SAMPLE DESIGN: The present study has drawn a sample of five companies whose securities are listed in Indian stock exchange. The various ratios are calculated on the basis of annual reports of the companies for the period of 5 years 2012 to 2016.

SOURCE OF DATA: The financial data for the study are drawn purely from the secondary data i.e., money control.com and annual reports of the companies.

TOOLS OF DATA ANALYSIS: The study used the various tools of descriptive analysis like Mean, Standard Deviation, co-efficient of variance and compound annual growth rate.

DATA ANALYSIS

TABLE 1: ANALYSIS OF OPERATING PROFIT RATIO FROM THE YEAR 2012 TO 2016.

Year	Tata Motors	Mahindra & Mahindra	Maruti Suzuki India	Hero MotoCorp	Bajaj Auto
2012	7.69	11.83	7.06	13.46	19.04
2013	3.81	11.64	9.7	15.34	18.17
2014	-2.65	11.65	11.66	13.81	20.37
2015	-3.4	10.71	13.43	14	19.04
2016	5.46	11.17	15.54	12.84	21.06
Mean	2.18	11.4	11.48	13.89	19.54
SD	4.96	0.46	3.28	0.92	1.16
CV	227.12	4.01	28.57	6.65	5.93
CAGR	0.089	0.015	-0.179	0.012	-0.025

Source: Secondary Data

The above table No. 01 reveals operating profit ratio of selected automobile companies, the Mean operating profit ratio of Bajaj auto is having highest ratio of 19.54 and lowest mean of 2.18 of Tata Motors, the compound annual growth rate of operating profit ratio was 0.089 of Tata Motors in the highest and -0.025 of Bajaj Auto being the lowest.

TABLE 2: ANALYSIS OF NET PROFIT RATIO FROM THE YEAR 2012 TO 2016.

Year	Tata Motors	Mahindra & Mahindra	Maruti Suzuki India	Hero MotoCorp	Bajaj Auto
2012	2.28	9.03	4.59	9.93	15.38
2013	0.67	8.29	5.48	10.08	15.21
2014	0.97	9.27	6.36	8.91	16.09
2015	-13.05	8.52	7.42	8.34	13.01
2016	0.55	7.74	7.91	8.64	16.09
Mean	-1.72	8.57	6.35	9.18	15.16
SD	6.37	0.61	1.36	0.78	1.27
CV	-371.40	7.08	21.46	8.51	8.35
CAGR	0.427	0.039	-0.127	0.035	-0.011

Source: Secondary Data

The above table No. 02 shows the Mean net profit ratio of selected automobile companies are fluctuating trend during the study period Bajaj Auto has the highest Mean of 15.16 and Tata Motors has the lowest Mean of -1.72 the compound annual growth rate of Net profit ratio was negative in the case of Maruthi Suzuki and Bajaj Auto and the rest of the companies is Positive during the study period.

CONCLUSION

After the analysis of various data, related to selected Automobile companies in India it is founded in theoretical statement, it is clear that profitability more or less depends upon the better utilization of resources, cutoff expenses and quality of management function in the products, customer services and to manpower and goodwill and market share. It is worthwhile to increase production capacity and use advance technology to cut down cost of production and wage cost in order to increase profitability, not only against the investment, but also for investor's return point of view. These programs are helpful to increase profitability of selected steel companies in India in future prospects. It is founded in numerical statement that Bajaj Auto the profitability position as shown satisfactory when compares to other companies. The compound annual growth rate as shown satisfactory in Tata Motors while compare to other companies hence all the Automobile companies should concentrate on modern techniques of production and different marketing strategies to increase the positive growth rate and profitability.

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